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The wealth and commerce of nations

London

1878

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THE WEALTH AND COMMERCE OF NATIONS,

AND THE

QUESTION OF SILVER,

WITH SPECIAL REFERENCE TO THE INDIAN VALUATION.

AND THE

INTERNATIONAL MONETARY CONGRESS AT PARIS.

By ERNEST SEYD, F.S.S.

LONDON:
EDEN FISHER & CO., 50, LOMBARD STREET, E.C.
1878.
Price Two Shillings.

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NECESSARY EXPLANATION.

For the proper understanding of the title of this publication, the reasons of its appearance, and the method in which the matter is put before the reader, the following explanation is necessary :—

The great question of the day is the manifest decline in the commerce of the world, in which, besides England, all nations participate. To show at once what this means, it must be borne in mind that, for the last sixty years, the export trade of this country steadily increased, until in 1872, according to our Custom House returns, it reached the figure of £315½ millions per annum. From thence it has declined until, in 1877, it amounted to £251 millions. But what is remarkable in this is, that, although up to 1872, there were occasional so-called years of crisis, during which the export trade fell off by a few millions, yet, in the year following thereon, it recovered its level and customary natural increase. Since 1873, however, the decrease has been continuous, and the "depression in trade" has so far lasted during a period of more than five years.

It is true that we in England are a wealthy people, and can bear a decline of this kind with lesser inconvenience than certain other nations. Nevertheless, anything that influences our position unfavourably is of high importance to us, for practically our wealth lies in the hands of certain strata of society, the greater bulk of our population being compelled to live from hand to mouth. And in a country like this, the well-being of the latter classes is more dependent on industry and international trade than that of the populations abroad. Besides this, as our wealth is chiefly the result of our outward commerce, the state of depression ruling in other countries, besides our own, extends the bearing of the whole matter. However much we may thus feel inclined to boast of our wealth, we must recollect that other wealthy and industrious nations, notably France, may outrival us.

Next to this position of things, the question arises, "How long will this last, or when will there be an improvement?" The real reason of the decline, and of the hope of an improvement, is necessarily connected with the further question, "What are the causes here at work?"

It must be recollected now that for the last five years we have in vain hoped for an improvement every season—whilst to July, 1878, the sixth year, none has taken place. Whether or no an improvement will now set in, the gap made since 1873 seems so large, that we cannot account for it by ordinary or familiar contingencies. The previous short crises could be traced to heavy withdrawals of bullion from the Bank of England, enormously high rates of interest, and sudden failures caused by speculation—but nothing of the kind has taken place. So called over-trading or over-production cannot last for so long a time as five years; for with the present system of speedy communications and small profits, mercantile matters

are liquidated very quickly. The favourite allegation that strikes of workmen have been the cause is equally wrong. Recent wars have nothing to do with it, for the period from 1848 to 1872 was one of great prosperity, in spite of gigantic wars. Here in England the question of foreign loans has been connected with the subject, but our trade with nations, who have not required loans, has fallen off especially. It is not impossible that some of the allegations made are what may be called "secondary" symptoms of a "primary cause." What may be this *primary cause?*

Among the many so-called authorities who have endeavoured to explain the present depression of trade, a small section of economists have steadily maintained that the main cause is the *demonetisation of silver*. With this subject few people are at all acquainted; the literature respecting it is somewhat varying and distractive; and here in England, where silver was first demonetised in 1816, the prevailing school of national economists refuses to admit its validity. It is just this prevailing school of English economists, prejudiced against the use of silver, and advocating its general demonetisation, which tries its best to explain the present depression of trade through the above-mentioned insufficient allegations. The reasons why they are disinclined to recognise the true cause here stated, rest upon nothing else than that peculiar obstinacy with which doctrinaires will defend their conceptions, even though the strongest facts may be brought against them. It must further be mentioned that although England demonetised silver in 1816, yet that the situation thereby created did not affect the general use of gold and silver all over the world in any especially marked manner. In reality, the "demonetisation of silver" did not become a *practical* matter, affecting the commerce of the world, until the year 1872, when Germany disturbed the then existing equilibrium between gold and silver. But long before 1872, the small section of economists above mentioned, *predicted*, in distinct terms, that the consequences of such further demonetisation of silver on commerce and wealth would be those, the first beginning of which we now witness. The writer, in 1868, published a book,* in which he referred to this great question, amplifying his views in other publications, in 1869,† and 1871.‡ Several economists of high repute, among whom the late Senator of France, Monsieur Wolowski, was the chief, expressed similar opinions. These views are known as those of the Bimetallic School of Monetary Economists; but under the then existing aggregate or equilibrium brought about by the laws of all nations, these views and predictions became verified only in the year 1873.

Subject to the full explanation of the matter, as it will be given later on, it must now be understood that so far it is the demonetisation of silver by Germany which has brought about the present state of commerce. What other nations will be inclined or compelled to do, and how their action will intensify the evil, remain to be seen. The title of this publication, "*The Wealth and Commerce of Nations and the Question of Silver*," is hereby indicated.

* "Bullion and Foreign Exchanges," 700 pp., 1868, Effingham Wilson, Royal Exchange.
† "The Depreciation of Labour which would follow the Demonetisation of Silver," 109 pp., 1869, Effingham Wilson, Royal Exchange.
‡ "Suggestions in reference to the Metallic Currency of the United States of America," 253 pp., 1871, Trübner & Co.

In order further to account for its publication, its construction, and its "*special reference to the Indian valuation*," it may now be mentioned, that in 1875 the fall in the price of silver caused alarm. To us in England, the losses on the Indian exchange made by the Government, and in the Indian commerce, appeared to be the chief inducement to inquire into the matter. The writer was then requested to state his views before the Society of Arts, before whom he read a paper on

"*The Fall in the Price of Silver, its Causes, its Consequences, and their possible Avoidance, with special reference to India*,"

on the 7th March, 1876.* The price of silver had then fallen to 52 pence, and fell subsequently below 50. It has since then again risen up to 58 pence, and has now declined again to 52 pence, in accord with what, in the above paper, it was stated as likely to be the case. In that paper the writer alluded to the already weakened trade of 1873-1875, and predicted the further great falling off. Since then, the commerce having steadily continued to decline, and the subject of our exports and imports, and their effect upon the national wealth, having caused a great deal of anxiety, the writer read another paper before the Society of Arts on the 3rd April, 1878. It must, therefore, be understood that this further paper on "*Our Wealth in Relation to Imports and Exports, and the Causes of Decline in the Latter*," as here re-printed from the Society's *Journal*, ought to be looked upon as a sequence to the paper of 1876.

The reference in the title to the "*International Monetary Congress*" arises from the meeting now (August, 1878) taking place in Paris. Although, as far as England and India are concerned, our special interest is concentrated in the Indian silver valuation, yet the subject at large is a universal one. The demonetisation of silver affects the interests of other nations, and the United States have initiated the congress in Paris, to which the great majority of nations, including England, have sent delegates. As regards the object and success of this congress, much will depend upon the action and attitude assumed by England. It will be shown later on that England may act so as to bring about a satisfactory solution, whilst at the same time she may guard her own present position. The case involves a matter of reciprocity, from which England and India will derive the greater benefit.

This publication then commences with the paper—

"*Our Wealth in Relation to Imports and Exports, &c.*,"

in which the author, without at first referring to the cause of the decline, criticises some of the statements made by others, and gives his own version of "our wealth" and its "international" relations. He then shows how the depression of trade has affected this country, by way of figures. On the whole, it is perhaps best, that such statements as to our wealth should initiate the reader into the matter.

Entering then upon the "cause of the decline," he reviews the numerous allegations which have been advanced in vain for its explanation, and then demonstrates that the "demonetisation" of silver is the real cause. The subject being

* Published in the *Journal of the Society of Arts* of the 10th and 17th of March, 1876. Also "The Fall in the Price of Silver," &c., 112 pp., 1876, published by Henry S. King & Co.

one which, as before stated, is met with the greatest prejudice on the part of the extreme Gold School of Economists, a number of allusions occur which seem to imply that the readers are already somewhat acquainted with previous features of the controversy.

The "*discussion*" following on the reading of the paper is printed in full, as also two letters bearing on it. The "*Additional Remarks thereon*," by the author, call attention to the peculiar methods with which such matters are treated by controversialists.

After the delivery of this paper at the Society of Arts, the author was requested to republish it, and, following the advice of friends, was induced to add to it a following chapter, entitled—

The Problem Re-stated,

in which, for the benefit of those not previously acquainted with the controversy, he gives such an account of the general problem involved as may serve for their instruction.

Further, inasmuch as the question of the Indian silver valuation is of the most pressing importance, and several suggestions have been made in reference thereto, he criticises, under a chapter,

Fallacious Proposals made by Anglo-Indian Economists,

the views of certain writers upon this point, whose proposals have lately been submitted to the public. From this he passes on to the consideration of

The Difficulties and the Duties of the British and Indian Governments in this matter,

as preparatory to a proposal made by himself for the solution of the difficulty, both for the Indian valuation and the international interests of the case, under the heading of

The Author's Proposal.

This portion may be of SPECIAL INTEREST TO ANGLO-INDIANS. It will be seen that whilst this proposal strictly guards the principle of the English gold valuation at home, and remains on its own exclusively Anglo-Indian grounds in all essential particulars, it has nevertheless some support in the bimetallism of other States. The International Monetary Congress of Paris, meeting in August, 1878, may come to certain conclusions as to this matter, and, under the heading

The Conditions Necessary for the Success of the International Monetary Congress,

the contingencies upon which this is dependent are examined and their prospects indicated.

The author has added a chapter, under the title of

Free Trade and the Demonetisation of Silver,

which might meet with some recognition on the part of those adhering to the great principles of Free Trade; and, in a final part,

Conclusion,

he sums up the whole case, as far as, in the first place, it concerns England's general interests and connection therewith; and, secondly, the welfare of other nations—according to the success, or non-success, as regards a suitable agreement at the Congress.

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OUR WEALTH

IN RELATION TO IMPORTS & EXPORTS, & THE CAUSES OF DECLINE IN THE LATTER

Paper read before the Society of Arts, on 3rd April, 1878, with Discussion thereon.

AND

FURTHER REMARKS BEARING ON THE SILVER QUESTION.

The subject of our diminished exports, or rather that of the increasing deficiencies between our imports and exports to our debit, causes some anxiety. It would seem that in this matter the nation finds itself in the position of an individual, who, be he rich or poor, spends or consumes more in commodities than he sells or produces, and the question is—Do we possess the means for continuing to do so? or are we, as the phrase goes, using up our capital? and finally, what is the cause of the present aspect of the matter?

The subject has been treated in various ways by several authorities, by some in a light-hearted, by others in a heavy-hearted way. I am of the opinion that it has not been treated as it ought to have been, and in asking your indulgence for my method of expounding it, I must first venture to enter upon a short criticism as to the figures stated, and methods of computation adopted by others, so as to make myself better understood.

Firstly, I refer to the returns of our imports and exports, as they are handled by my friend Mr. Stephen Bourne, Assistant Principal of the Statistical Department of the Custom-house, in his excellent and well-known paper on the question. You are aware that our imports are stated at their real value, *i.e.*, presumably such value as they have in the market, equivalent to prime costs and charges on arriving here, as if they were thus invoiced, and this is the true principle of valuation. Our exports, however, are taken at their nett value here without charges of shipping, &c., therefore the difference appears much larger than it really is. I conceive that they should also be stated at their supposed full invoice value, such as would appear at the foreign Custom-houses, as if these followed the same plan as we do here in regard to imports. It is immaterial in all cases whether such charges of freight and other matters are paid by the shipper or the consignee, the question is so far only one of actual equal valuation. Mr. Bourne takes the difference between imports and exports as it appears from the returns, and modifies them in the following way:—First, he deducts from the sum the balance of bullion remaining here as balance of the separate imports and exports of the precious metals. I do not think that these bullion balances are reliable, owing to certain inconsistences in the declaration of value of bullion. The portion of bullion absorbed for jewellery, plate, and in the arts, is limited, and must be regarded as having entered into consumption, and the residue would give us no true amount, unless we were able also to state the exact amount of bills current, and settlements by short exchanges. This cannot be done, for we cannot separate the absolute international trade bills from the legitimate renewals, the pure credit bills, and others less legitimate. Moreover, the import and export of bullion are connected with money investments abroad, their extension or contraction, is an element entirely independent, and at this time, for instance, when British capital invested abroad is being drawn in, the import of bullion is not due to balances on account of commodities. I conceive that the question of bullion is that of the money market, and that in reality the accumulation of gold is shown in the currency, either in the increase of the circulation, or, and chiefly, in the stock of gold bullion at the Bank of England. I shall therefore treat bullion as separated from exports and imports of commodities. Mr. Bourne then deducts the cost of freight from the imports, having taken great pains in arriving at the gross figures involved. But I am of the opinion that the full gross cost of freights should not be so deducted, for they are not profit on shipping; indeed, it may fairly be assumed that only one-third of the gross freights are so. The set-off of victualling stores, which Mr. Bourne adds, does not compensate the matter, the ships' charges afloat and abroad, and other items, must be accounted for. Mr. Bourne adds foreign freights, ships' stores, and coals; but all this can be avoided by treating shipping separately, as I shall do hereafter, and by adopting the simple plan of adding freight charges to our exports, so as to bring them to the same invoice, or real value abroad, as our imports here. From 1854 forward, although import freights were always higher than export freights, I compute the total of charges, including insurance, commissions, &c., at about 12 per cent. But, for a number of years, the outward freights have still more declined, and commissions have been reduced. This decline set in between 1866 and 1869. Without entering into the details per annum, I think I meet the case fairly, having regard to bulky as well as finer goods, if, from 1854 to 1868, I add 12 per cent., and from 1869 to 1877 I add 10 per cent. to the exports, so as to arrive at the real balance, and submit Table I. (p. 2.)

It must be borne in mind that the reduction in the total of our export is only partially due to the decrease in quantities; the greater portion is due to decrease in value; but, for the purposes of the account, this makes no difference whatever. I propose to use the figures resulting from the table as the nett, or real balances of trade on goods against us.

Secondly, I refer to the method in which this

TABLE I.—*Showing Imports and Exports at Custom-house valuation and the Apparent Balance. Correcting Exports with 12 Per Cent. addition for 1854 to 1868, and 10 Per Cent. for 1869 to 1877.* (*In thousands £.*)

	Total Imports.	Total Exports.	Apparent Balance.	Corrected Exports	Real Balance.
1854	152,339	115,821	36,568	129,719	22,670
1855	143,543	116,091	26,852	120,693	12,850
1856	172,544	139,220	33,324	155,926	16,618
1857	187,814	146,174	41,640	163,714	24,130
1858	164,584	139,783	24,801	156,557	8,027
1859	179,182	155,693	23,489	174,376	4,816
1860	210,531	164,521	46,010	184,236	26,268
1861	217,485	159,633	57,852	178,788	38,367
1862	225,717	166,168	59,549	186,108	39,599
1863	248,919	196,902	52,017	220,550	28,388
1864	274,952	212,588	62,364	238,098	36,853
1865	271,072	218,832	52,270	245,692	25,881
1866	295,290	238,906	56,384	267,574	27,716
1867	275,183	225,803	49,380	252,899	22,284
1868	294,694	227,778	66,916	255,111	39,584
1869	295,460	237,015	58,445	266,716	34,744
1870	303,275	244,081	59,176	268,489	34,786
1871	331,015	283,575	47,440	311,932	19,083
1872	354,694	314,598	40,105	346,058	8,636
1873	371,287	311,000	60,282	342,105	29,182
1874	370,083	297,650	72,433	327,415	42,668
1875	375,940	281,612	92,328	309,775	64,177
1876	374,000	255,000	119,000	280,500	93,500
1877	393,900	251,700	142,200	276,870	117,030

matter of our exports and imports, as it is likely to affect our general wealth, has been treated lately by several authorities. The broad questions, What is our general wealth? What are the means of accumulating and maintaining it? and that of, Are we consuming our capital? should be separated in such a way as to enable us to show to what portion of our wealth this may apply. It appears to me that that which has been written on the point, so far, fails in showing this clearly; that the writers have contented themselves with showing our great general wealth, as if they wished thereby to overwhelm the matter at issue, and that some of their statements may mislead us. The question of our imports and exports is, in the first instance, that of our relations with the outward world—outside our home affairs—it concerns what may be called our "international wealth," as distinguished from our home or "internal wealth." Our case resembles that of a rich merchant prince who has his fair piece of land, his mansion, treasures of art, and furniture. He has made his fortune in the home and the foreign trade; it is partly invested in his home possessions, partly engaged in business, and he has a balance represented by claims on other nations, in colonial and foreign bonds, and otherwise. The former, all in his possession here, is the internal, the latter, the external wealth. Now, if such a merchant found that he was losing, how would his wealth serve him? He could not export his lands and houses or improvements on his estate, nor could he, whatever the local price may be, sell them to himself, so to speak, as a nation would have to do. His art treasures and furniture it would be unfair to ask him to part with, and money he cannot take from the circulation without re-supplying it, for the demands of the circulation are imperative. He would therefore have recourse to his extra savings, the "external" reserve previously spoken of, and thus realise such portion of his international wealth as might be requisite. The unfavourable state of his international trade may compel him to do so. Under these circumstances he may yet make a profit on his home trade, or even add new improvements to his home estate, but this is not available for external purposes. Whether, when the international wealth is used up, he must have recourse to selling his home wealth, and what the effect of this would be on the price of his property, or the capital involved, remains to be seen. This appears to me to illustrate the present position of this country, subject to our ascertaining whether our international wealth is so declining or not, and from this point of view the statements put forth by others deserve criticism.

In the *Times* of the 7th December, 1877, for instance, there appeared an article on "The Excess of Imports," in which the writer, previous to his explaining the matter attached to the title, proceeds at once to speak of our "wealth," in saying, "The usual accumulations of capital in England cannot be taken at less than £200 millions per annum." He computes this in the following fashion:—

"We know from the income-tax returns that the annual value of house property alone, in the 10 years ending 1875, rose from £69 to £95 millions, an increase of £26 millions per annum, representing an increased capital value, at 15 years' purchase only, of nearly £400 millions, or £40 millions a year. In the same period, the annual value of land increased from £62 to £67 millions, or £5 millions, which represent, at 30 years' purchase, an increased capital of £150 millions, or £15 millions a year."

The writer then goes on to apply the same principle of valuation to railways, canals, mines, and incomes of all sorts, and computes the whole as equivalent to an annual "increase of capital" of, at "a moderate figure," £200 millions a year.

Now, if you bear in mind what I have said before as to this matter of local or national wealth, you may admit that the "capital" here involved is a question of "price" in the first instance, and "price" is a very elastic element indeed. As stated before, if we were obliged to sell such property to ourselves, or among ourselves, what would become of the price and the capital? And if the writer of that article meant to convey that, besides increase in price, there was also a considerable addition in quantity of improvements, the case remains the same. The truth is, that these home possessions, whatever be their quantity, quality, or price, are the requisites accounting for our state of civilisation; they are, so to speak, pledged to this purpose and no other, and must remain so. An actual increase in the number and styles of our buildings and improvements is, no doubt, a gain; but, as far as increased rentals are concerned, there is a set-off. That it is a thing satisfactory to the owner of houses to obtain a higher rent is obvious, and he is so much the richer; but the tenant is so much the poorer. And if you want to apply this both ways, pleased at the tenant's ability to pay rent—thus "eating the apple and having it too"—you might as well say that, when corn is dear and privation prevails, that this is, nevertheless, on both sides, an increase of national wealth.

Surely it must be admitted that such methods of computing national wealth are not suitable; but the tendency of the writer, and the ease with which such tendency tumbles from one phrase into another, must be patent to you when I point out that, in a subsequent part of the article, the writer converts the £200 millions of increase per annum so computed from increased capital into "annual savings of more than £200 millions."

Another method of computation to which I must take exception, is that of stating our wealth by way of capitalising income, as has lately been done by my friend Mr. Giffen, head of the Statistical Department of the Board of Trade. Mr. Giffen takes the income as resulting from the income-tax returns under the various schedules, and capitalises these at arbitrary rates of from 30 down to four years' purchase. It may be admitted that the returns on land and houses under Schedule A, and public funds under Schedule C, give points from which conclusions as to capital may be confirmed, but the items under Schedule B, as farm profits, and under Schedule D, and other statements made by Mr. Giffen, are quite unsuitable for the purpose. Seeing that the purpose of an income derived from mental or manual labour, over and above the mere cost of arrangements or works required, is chiefly that of being consumed, it is paradoxical to say that such incomes can be capitalised, or that such computation can actually be stated as "accumulated national wealth." If Brown makes £1,000 out of Smith, surely that is not accumulated national capital or wealth. And whether this local profit, or credit and debit, is obtained by way of farmers' profits, or by industrial and professional pursuits, or legitimate or illegitimate means, it appears to me that you cannot, therefore, capitalise Brown's advantage by more or less fanciful assumptions of years of purchase. We might as well capitalise the salaries and incomes of our State officers and pensioners, and the expenses of our army and navy, and add such capital to the already existing capital value of property, and the already capitalised incomes of the nation, out of which this is part, and so swell up the amount to any figure we like. It must be obvious to you also, that there are, so to speak, "incomes within incomes," that one large income for one man splits into a number for those below, and so forth. It is a system of wheels within wheels. I need not here enter into a criticism of the various items of Mr. Giffen's estimates, but in order to show you the value of computations of this kind, I may mention that, while Mr. Giffen, in his moderation, keeps every estimate down at the most modest figures, making out that an income assessed of £571 millions a year gave a capital of £8,548,120,000, there was another eminent statist present, who expressed his conviction that the real amount was likely to double that sum. Alongside these figures it must be imagined in how pleasant and gratifying a manner the "flexible" principle of the National Debt of £800 millions was treated.

The truth is, in these computations the great error is that of confounding and mixing up the real acquisition of property or capital with the means and men which produce it. Before capital or property can be thus treated, the current life of the producing factors must be cared for, and that absorbs the major part of all efforts. In the growth of the human body only a portion of the nourishment turns into flesh and bone; we cannot capitalise the nourishment taken in a year into a mass of flesh, and to complete the phantastical process, capitalise also the "income" which goes in exchange for it. The following plain reflection may serve to show the meaning of this more distinctly. The total income is stated at £571 millions, equal to about £17 per annum per head of population, or less than the cost of maintaining a pauper baby only. But the turnover in business amounts to many thousand millions. The London Clearing-house returns amount to between £5,000 and £6,000 millions per annum, and although they contain many repetitions, yet if we bear in mind how much in banking transactions is outside the clearing, and take the turnover in the provinces, there may be a clear total of from £9,000 to £11,000 millions per annum. Then, there are other settlements by way of account, besides the daily use of the currency, so that a turnover of £15,000 to £16,000 millions per annum is within the mark. This covers more than all the stages of wholesale into retail trade. I may also mention that in Austria-Hungary, for instance, the income of the population is stated at 5,500 millions of florins, or about as much in £ sterling as here, yet the amount of property in the empire is estimated at about one-third of ours, as I shall presently show you. My object in cursorily calling your attention to such figures is that of affirming the suggestion that we cannot mix up the existing stock of property or capital with capitalised incomes, as has been done by my friend Mr. Giffen.

On my part, I shall now endeavour to gain your approval to a system of taking stock of our wealth generally under certain headings, so as to elucidate from that what is real national wealth, and which parts of such wealth are at present being effected by the import and export question. The means of creating and maintaining this wealth will form a separate consideration.

The stock of wealth, in matters of actual free possessions, involving no indebtedness by other parties, in things of value through the adjunct of labour, and in contracts of individual wealth to which the indebtedness of others is attached, may be brought under the following headings:—

1. Lands, the soil of the United Kingdom.
2. Houses, public and private buildings.
3. Moveable household and personal goods, art treasures, &c.
4. The National Debt and other inland stocks.
5. Railways, canals, and public works.
6. Capital in commerce and industry.
7. Currency—gold, silver, and copper.
8. Our "external" or "international" wealth.

In order to bring out more clearly the distinction between these items and our national position in such matters, I ask permission to proceed by way of comparison with another nation. I shall for this purpose select Austria, a State on about the same level of civilisation with ourselves, as a type of a group of nations whose affairs are in a less favourable condition than those of the group of wealthier countries, of which we are the head.

In the United Kingdom the value of lands may be stated at being £2,000 millions. Some portion of the soil is park and waste land, but

against this we can set the very great perfection of our cultivation of agriculture, which gives to our producing lands such high value. But although the amount of £2,000 millions may be given as the value or price for the time being, we must not forget that this price is subject to contingencies connected with general prosperity. It is national wealth, but it confers no special advantage to us over other nations. They also have lands, indeed they would not be nations if they had not. Austria-Hungary, for example, has more acres, and if less cultivated than ours it has climatic advantages. Quantity and quality, together with cultivation and total produce, ought to be considered rather than price. According to best advices, the value of the lands in Austria amounts to £850 millions. It is immaterial whether or not land mortgages are held by resident mortgagees, and we in England have no foreign mortgages. In Austria, however, where the mortgage system is extensive so called "mortgage letters," or bonds are issued, of which some are held by capitalists residing out of the empire; the amount so held abroad is not large. Indeed, such lands cannot well be pledged away, unless a nation sinks into a kind of serfdom.

The value of house property in the United Kingdom can be stated at £1,280 millions. The great mass of buildings, especially in large towns, does not excel in solidity, cost of construction, and value; foreign towns, like Paris and Vienna, are far more solidly built. We excel in gentlemen's country seats. The progress made in buildings in England has been very considerable, especially of late years, but it is certain that both in the French and Austrian towns still greater improvements have been introduced. As far as the use and valuation of buildings are concerned, the same rules apply as in the case of land, and quantity and quality must be regarded rather than price. The value of house property in the Austrian Empire in 1866 was given as £275 millions, but this is the minimum for taxation purposes; at the present time the valuation is near £400 millions, and if it were made on the same principles as here it would probably be much larger.

The stock of moveable property consists of art treasures, jewellery, furniture, utensils, all personal possessions of every kind which can be transported. There is no doubt that the wealthiest classes in England possess, individually, more of these goods than those of other nations, whose public collections are more extensive. On the other hand it is certain that the great mass of the people abroad are in possession of more personal goods than the same classes in England. A French economist, well acquainted with England, said to me, "Silver spoons are as plentiful in France as pawn tickets in England," and although this may be an *ex parte* expression, yet there is no doubt that the great strata of people abroad are more thrifty or solvent than ours of the same degree. Household goods and personal possessions of this kind are not subject to foreign claims; they are, even more than lands and houses, pledged to home purposes as a condition of civilisation, although they are saleable abroad at a pinch. Following a rule adopted by other economists, which appears to me applicable to England, viz., that such property may be taken as being equal to one-half of the value of houses, there would be £600 millions for the United Kingdom; for Austria the value of such stock has been stated at £300 millions.

Our National Debt, which, with other municipal loans for which no tangible property is visible, may be taken at £800 millions, is not, as a matter of course, an item of national wealth. It is a contract involving individual wealth on the one, and indebtedness on the other side, grevious to the latter. To the foreigner, however, it is immaterial whether one Englishman owes money to another. The National Debt is an item of consideration for this reason; it represents a portion of the national credit as realised, and in case of necessity we might sell Consols abroad. There has been no need for our doing so, we have raised it and hold the debt, so to speak, among ourselves; but Austria, for instance, and other States, have not only raised part of their debts abroad, but sold other portions of those raised at home, and this begins to show the great distinction between such States and ourselves. The three preceding items of wealth are positive and belong to home life. The National Debt, when held by the nation itself, is a mere item of local wealth and indebtedness by way of a set-off; but when such debt or part of it is held abroad, it becomes an item of simple international indebtedness or national poverty. The public and municipal debts of Austria amount to £407 millions.

The value of our railways, canals, and other undertakings of like public origin and for public use, may be stated at £800 millions. Those of Austria amount to about £260 millions. In matters of this kind we stand at the head of all nations, but they concern our local and internal convenience more than the foreigner. Still, as regards the distinction between States like England and others like Austria, there is again this great difference: we are the stockholders of our own railways, and use their dividends among ourselves to our mutual benefit, whilst a very great portion of the Austrian railways are under foreign advances, part of the stock being held abroad, and this has the same effect upon the Austrian commonwealth as that of their national debt, it increases the "international poverty" of the country. Our railways and public works belong to the sum total of our positive possessions, and though like lands and houses they are not bodily exportable, yet the "stock" may be available for international purposes, if we turn poorer.

The amount of capital employed in the industry and commerce of this country may be stated at £900 millions. I refer to a publication by my brother, Mr. Richard Seyd, who shows the grounds upon which this sum, including the capitals publicly stated, has been arrived at. We must not, of course, understand current money by this sum; the currency in metallic and banknote money is a separate matter, under the next following heading. The capital, as meant here, is either sunk in industrial enterprises, mines, machinery, and other means of procuring or manufacturing commodities; it is represented by stocks of goods ready to enter consumption; some of it is invested in securities, or even in land and houses. It is, therefore, to some extent already mixed up with other home matters. A merchant, for instance, may have a capital of £100,000 invested in Consols, and do

a large business, not with the £100,000 itself, but on the strength of the existence of his Consols, and may employ this credit at home or abroad without investing it out of the kingdom. So insurance companies invest their capitals in properties and securities already accounted for here in the general mass, and do a large business on the guarantee thereof. About one-half of the total capital consists of banking resources, viz., bankers' capitals and deposits. This shares in the general market, and were it not the money of bankers and depositors, but belonged to the mercantile and industrial community itself (if consequently there was no need for bankers), it would stand in the same relationship to industry and commerce as the one-half actually possessed by the mercantile and industrial community.

Trading capital in all countries must bear a kind of relationship to population, production, consumption, prices, and the stocks at home—and for these purposes a distinct sum must be pledged to home purposes, like lands and houses, and there must consequently be a large solid capital in Austria. It is returned to me as amounting to £900 millions, of which £278 millions represent the aggregate capitals of joint stock banks and numerous joint stock industrial and trading enterprises.

Now, we are much in the habit of saying that we have a proportionately enormously larger capital than others, and we refer to bankers' deposits to show this. Our claim to such greater wealth does not rest on such money being used through the agency of bankers and the publication thereof, it is rather due to our freedom from debt and our external possessions. There are many people who think that our capital ought to be larger, that there should not be so much credit. It is true, perhaps, that in France and elsewhere, the actual capital possessed by large and small traders is proportionately larger, and that there is more solvency among the inland traders than here, but our capital used in the manufacturing and international trade is by far the largest. Of the £900 millions capital in commerce, it may be assumed that £500 millions are concerned among the items already enumerated, and this must be deducted, leaving a sum of £400 millions as representing positive wealth in industrial enterprise, machinery, in stocks of goods, and commodities in process of manufacture. For Austria, a sum of £300 millions may thus be set aside.

This country possesses, in gold and silver coin, and bullion in use for monetary purposes, about £139 millions in gold, and £16 millions in silver; namely:—

£107 millions	gold coin	circulating.
16 „	silver coin	circulating.
25 „	gold bullion (for the time being in the Bank of England).	
£148 millions of gold and silver.		

Of bank notes we need not give an account; they are not national wealth, and not legal tender abroad. The Bank of England issues notes on the £25 millions (or more or less) bullion, and on £15 millions of securities. Country bankers may also issue £15,800,000 of notes without gold; but these, also, do not concern foreign nations.

In France the total amount of the precious metals, as money, may be given as—

£190 millions	gold coin	circulating.
85 „	silver coin	circulating.
50 „	gold	in the Bank of France.
35 „	silver	in the Bank of France.
£360 millions gold and silver.		

Over and above its stock of bullion, the Bank of France issues, for the time being, extra notes for (say) £10 millions.

It would, therefore, appear that as far as gold and silver are concerned, we are not the richest nation. But the comparatively small amount of currency used in this country is due chiefly to the higher development of our banking and clearing system, which enables us to do with less cash. Nevertheless, banking and clearing are not neglected in France, and the general better state of solvency in the internal trade of France, and more distributed solidity and wealth, causes a greater natural accumulation of solid money. In this country also we admit only gold as legal tender, and restrict the use of silver to the narrowest limits, whereas in France hitherto both gold and silver have been used for legal tender purposes, the former metal preponderating. Our metallic currency is an item of positive national wealth, and the admixture of bank notes with it is moderate enough to maintain their full metallic value.

In Austria, however (and States in the same category), the case is widely different. Through wars and political troubles, and chiefly through misgovernment and bad economy, the Austrian people have been compelled to export their metallic currency and substitute paper money for it. Of the evils of such issue of bank notes, the necessary over issue, the consequent high premium on precious metal, with their ruinous influence on both internal and international trade, we need not occupy ourselves. Sufficient to say, that the legal tender metallic money is rarely seen in circulation, and only dealt in as a kind of commodity; that the only stock of bullion for the security of the bank note of the National Bank of Austria is held by that institution, and against an issue of £28 millions, amounts to £14 millions. Besides this there is but small silver and copper change, amounting perhaps to £10 millions. Beyond this there is a bank-note issue by the State (apart from the National Bank) without any bullion at its back, of £35 millions. Thus Austria has—

£10 millions	in silver and copper change and odd money.
14 „	in gold and silver at the Bank.
£24 millions in gold and silver.	

Besides an over-issue of £14 millions of notes by the Bank, and £35 millions (more or less) by the State.

It may here be remarked that countries like Germany, Belgium, Holland, Switzerland, &c., are in a position of metallic parity like England and France, whilst Russia, Italy, the United States, and others, in different degrees of premium on gold and silver, belong to the group of Austria.

The above considered seven items of wealth are internal matters. They are, so to speak, on the soil of the country. Whatever lies outside of this, either in our colonies or in foreign countries, or on the sea, whether alongside or far away from our shores, is external, and falls under the head of "international wealth."

Our "international" wealth consists of:—

Foreign State stocks and colonial stocks.

Foreign and colonial railway and debenture shares.

Industrial enterprises, estates, capital in colonies and abroad.

Ships anchored in our harbours, at sea, or in foreign ports.

Balances of goods, afloat and abroad.

Of the first we held in the year 1872 an amount which may be stated at £650 millions.* In Colonial, Continental, American, and other railways and public works, shares, or debentures, the amount held by us is estimated at £210 millions. Industrial enterprises, estates owned by Englishmen living here, in colonies, and abroad, English capital in colonial and foreign banks may amount to about £80 millions.

The value of our ships may be taken at from £70 millions to £75 millions. Of the 6 millions tons, 1½ millions are small coasting craft, worth but a few pounds a ton, and, estimating the 1½ millions tons of steamers at their respective cost prices, from the highest class at £25 a ton to the best freight boats at £18 a ton, and those of sailing ships from £16 to £12 a ton—making all due allowance for deterioration, which, in some cases, brings the ton to below £5 in value—I am advised on best authority that the capital value of the total of our shipping property is given in the above sum.

Together with the amounts currently owned for goods, the total of our external possessions in the year 1872 may be stated as amounting to £1,100 millions. From this total sum we derived a revenue which may be stated at £65 millions for that year.

France and Germany, besides holding foreign State debts, railway and various other bonds, are interested in goods, and have their shipping; but the aggregate is not so large as ours, although that of France is rapidly increasing, and, in its total, may not now fall short of £700 millions.

Austria, however, has no external wealth, with the exception of 330,000 tons of shipping. There are no foreign stocks, nor claims of any kind against foreign countries or individuals. On the contrary, Austria is one of the States indebted to the others, who hold some mortgages on her lands, a portion of her State debt, shares and debentures on her railways, and other claims, the total of which may be £400 millions, for which an annual interest of say £24 must be provided.

In order to enable you to see the result of the comparison at a glance, I now submit the following accounts:—

ENGLAND'S AMOUNT OF WEALTH.

Assets.

1. Lands, say	£2,000	millions.
2. Houses, say	1,200	"
3. Moveable household goods say	600	"
4. National Debt £800 millions (not to be added)		
5. Railways, public works, &c.	800	"
6. Active capital of £900 millions, of which in goods	400	"
7. Currency £170 (less bank notes current £22 millions)	148	"
8. International wealth	1,100	"
	£6,248	millions.

Liabilities.

1. To foreigners	£ ,	0 millions.

(Our liabilities by way of counter balances of trade, and acceptances of bills drawn from abroad, which may effect the bullion market very seriously, are so far accounted for in our capital and international accounts.)

As regards the above figures, the value of our house property may be subject to discussion upon the question of prices; but so far we may take it that our positive property, free of any claim upon it, amounts to £6,248 millions.

Compare with this now the Austrian accounts—

AUSTRIA'S AMOUNT OF WEALTH.

Assets.

1. Lands	£850	millions.
2. Houses	400	"
3. Moveable goods, &c.	300	"
4. National Debt, £107 millions (not to be added)		
5. Railway and public works	260	"
6. Active capital, £600; for goods	300	"
7. Currency £93 millions (less uncovered bank notes, metallic value	24	"
	£2,134	millions.

Liabilities.

8. International indebtedness	£400	millions.

Against £2,134 millions of property, Austria thus has an indebtedness of £400 millions.

In reality, however, the great importance of this international indebtedness is not shown by this full statement. As stated before, lands, houses, moveables, &c., ought to be considered as belonging to home purposes, so that these items would have to be left apart. Railways and public works ought also belong to the category, but as their ownership is practically transferable by bonds, they are so far available. Were it not for this, Austria would be, so to speak, internationally insolvent, as it is now internationally poor and indebted.

Reflect, now, upon the more happy and safe position of the United Kingdom, and you will see

* The total of the State debts of all nations amounts to about £4,600 millions. Of these the following nations, with State debts—England, 700 millions; France, 750 millions; Germany, 165 millions; Holland, 8 millions; Belgium, 36 millions; Denmark, 14 millions; total, £1,83 millions—are not only themselves the holders, but in addition to this they are owners of part of the State debts of the following nations:—United States, with 450 millions; Russia, 375 millions; Austria—Hungary, 346 millions; Italy, 251 millions; Spain, 269 millions; Turkey, 215 millions; India, 136 millions; Egypt, 95 millions; Mexico, 79 millions; Brazils, 68 millions; Portugal, 6 millions; British colonies, 63 millions; South America and other small States, 295 millions; total, £2,750 millions. The correct proportion of debts held by the nations themselves is not known, but some of them have placed their entire debt abroad—in any case, the greater bulk is held chiefly in England, France, and Germany. From the last estimates to be obtained, and under reserve, it may be that England thus holds about £600 millions; France, 450 millions; Germany, 400 millions; Belgium, Holland, Switzerland, &c., 90 millions; total, £1,600 millions. England's share is much enhanced by holding the greater part of the debts of her colonies. France has lost largely on account of her payments of £200 millions, but is recovering herself and increasing her International wealth more rapidly at this moment than ever, whilst Germany, with its small internal debt, has always had more room for foreign debts, and the power of the German financial centres of Berlin, Frankfort, and other towns is far greater than is currently believed. The question whether the figures here involved are thoroughly true remains open; they represent the case fairly at a given moment.

that over and above of what we possess free of any indebtedness, we have this first reserve of international wealth. Supposing we went backwards in our affairs, and consumed this reserve, we should still be free of debt and more then solvent in our affairs. Before we reached the condition of Austria we would next have to lose our currency, borrow money on our railways and public debt, in succession of reserve or available means. It may here be said—What difference does this make to the common man or to others? People who go to Austria find the residents there walk about in black hats and in as good clothes as we do here, that living there is as cheerful, if not more cheerful and agreeable than here. Little do they know of the abnegation which all classes in Austria have to practice, of the hard work done by the people; and if they appear to be more contented or light-hearted then ourselves, the fault on our side must be sought in the stronger division between rich and poor, and the insufficient or improper education of the latter. Were the division of all this wealth of ours more equal, to the ultimate benefit of the richer classes, as would prove to be the case, and were general education higher, England would certainly contain the happiest population on the face of the earth.

But apart from this moral aspect of the matter, the influence of the international reserve on the home wealth is most marked. It is owing to its existence, in competition, so to speak, with lands, houses, art treasures, and other commodities, that these have so high a value or price to the advantage of their possessors. If this reserve declines, the value and price of such internal property would also seriously deteriorate. Upon the strength of this international reserve, the power of the country, in the political sense of its meaning, greatly depends. I do not urge England to war; but if we could somehow manage to induce the individual owners of our international wealth to give us the half of it, we might, as far as mere finance is concerned, fight wars to the tune of £500 millions, without raising a fresh debt, and yet leave £500 millions of the reserve to spare. Of a total wealth of £6,558 millions, the £1,100 millions international wealth included therein form the outer armour. If, upon the same principle as before applied, we deduct the items of land, houses, and moveables, as pledged to home purposes, we have £2,148 millions, of which £1,100 are international, and if we keep our railways to ourselves, and look upon our capital in trade and currency only as, so to speak, "floating about," we have a total of £1,648 millions, of which the £1,100 millions are two-thirds. This will demonstrate the extreme importance to us of such international wealth.

Upon the system of account which I have ventured to introduce, I think that the affairs of all other nations may be arranged, and the construction of the account appears to me simple and concise enough to be retained in the memory, if you should consent to use the term external or international wealth, as apart from the rest.

If you agree with me as to this method of showing our wealth, you may also agree with me as to the means by which we have acquired—notably our international wealth. The same school of economists, which has promulgated the statements that I have criticised, has said "the loss of income from the entire loss of our foreign trade would be a most measurable and by no means fatal injury." The Japanese, 25 years ago, held similar views, and kept their country rigorously closed against foreign trade, and whilst they have now thrown open their ports, it is rather curious to find that there should be English-Japanese of this old school among ourselves.

It is almost a truism to say that there is no nation whose doings are so much mixed up with the trade of the world as England. True, the lands we see, the bricks and stones of our houses, the trees, and most surroundings, are of British origin, but from the timber in our buildings and furniture to the knick-knacks in the bazaars, from the stocks of wine in the docks to the humble pipe of our workmen, in almost all the departments of consumption of goods we have (in spite of our own great production) a stronger admixture of foreign element than any other manufacturing nation. Our agricultural produce in cereals, potatoes, meat, and provisions of all kinds is valued at £600 millions per annum, but we import no less than £180 millions worth of the same articles. If our own home manufactures still supply the larger share of what we consume—you can as regards these, apply the same principles alluded to before—they are natural to all countries of the like stamp, as pledged to this purpose; but beyond this we are unquestionably the greater consumers of foreign commodities. Then, as regards our exports and the industry founded upon them, it must be evident to you that millions of our population could not live if they had to work only for the inhabitants of the United Kingdom, unless they were fed at the expense of the rich. Of the civilising influences of our foreign trade among ourselves, the continual obligation on our part to keep up our advance in manufacturing, as contrasted with a possible old Japanese policy and its effects, I need not speak. But one thing must be obvious to you: our international wealth as before described could not have been obtained without such foreign trade, and if you have perceived its importance both as extra wealth and armour protecting us, you will also admit that the means by which it has been acquired stand in an equally important relationship to our current doings in other matters. If, according to our income tax returns, our incomes are stateable at £317 millions per annum, if our international trade, both imports and exports, have amounted to £650 millions, you can imagine that the latter must have a considerable share in the many thousand millions of annual turnover spoken of before. I am of opinion, therefore, that anybody who decries the foreign trade of this country, does more than commit a libel upon the power and cosmopolitan destiny of this nation. We are apt to consume and enjoy foreign goods and luxuries just because we have the international strength to do so. Austria, with its weakness in this respect, had, in 1875, reckoned at the exchange of the day, but £48 millions imports and £37 millions of exports.

The economists who have lately thus decried our foreign trade, have concocted the phantastical statements before alluded to, according to which our annual savings are £200 to £300 millions. In

juxtaposition to this, I now tell you that our real surplus for international wealth has increased at the rate of from £10 millions to £30 millions, a year in a steady, non-phantastical way; and if you, consider how this has gone on during the greater part of the present century, you will, no doubt, be satisfied with the large sum of its aggregate as it may stand at present.

And, in connection with the question, How has this international wealth increased? there arises the next Is it still being increased, is it at a standstill, or is it declining?

There is *primâ facie* evidence that, at the present moment it is not increasing. Until 1873 we were in the habit, so to speak, of re-investing the £20 millions (or thereabouts) actual surplus in lending out again. But, for the last five years, no foreign loans of importance, or railway stock, or company capital have been raised in this market. (The Indian loans raised were covered by the Council drafts.) If the usual surplus had continued, we should, consequently, have had a vast amount of bullion on hand. The Bank of England, it is true, has had a fair store of bullion, and so we might think that, at all events, our international wealth had maintained itself; but there are many signs that this is rather due to a partial realisation of our outstanding claims. Many investors are calling in their claims from abroad, and the realisation of capital is a far more telling process than the mere ratio of decline in interest or income derived from the total.

I now submit to you Table II., commencing with 1854, which in the first column contains the corrected balances of our goods trade from Table No. 1. The second column states the amounts of income which we have derived from our international wealth, covering the apparent balances of the first column, and leaving a surplus until 1874.

As regards the items in the second column I must first make the following remarks:—This country, even before the end of last century, has always been on the right side, and possessed a great deal of outside wealth in shipping, colonial estates, and claims on foreigners. Even after the peace of 1816, when the national debt stood so high, there must have been a surplus of such international wealth of from £100 to £200 millions. The great revival following sent goods to all parts of the world, and during these times up to 1840, larger profits were made in both home and foreign trade.*

From 1840 forward, when colonial estates had declined for well-known reasons, the railway interest abroad engaged our attention, and we became very large holders of foreign railway stock, which, in its turn, was partly replaced by foreign loans. From careful estimates I come to the conclusion that in 1854 we possessed about £600 millions of international wealth, of which from £250 to £300 millions were foreign loans,

TABLE II.

Showing the annual real balance of trade apparently against us, as per Table I., and the presumed annual income from our external investments, the remaining balances increasing such investments or decreasing the same

IN ROUND MILLIONS.

Years.	Annual balance of goods against us.	Annual international income.	Balances.	
	£	£	£	
1854..	23	37	14	Balances amounting in the aggregate to £532,000,000, increasing our international wealth from £600,000,000 in 1854 to £1,100,000,000 in 1874.
1855..	13	39	26	
1856..	17	41	24	
1857..	24	34	10	
1858..	8	38	30	
1859..	5	40	35	
1860..	26	46	20	
1861..	38	49	11	
1862..	39	50	11	
1863..	28	51	23	
1864..	37	52	15	
1865..	26	54	28	
1866..	28	48	20	
1867..	22	50	28	
1868..	39	56	27	
1869..	35	58	23	
1870..	35	65	30	
1871..	19	67	48	
1872..	9	67	56	
1873..	29	63	34	
1874..	43	62	19	
1875..	64	60	4	Balances decreasing our international wealth.
1876..	94	60	34	
1877..	117	60	57	

the balance consisting of railways, public works, and claims for goods, for at that time the so-called consignment business of British goods was at its height. Our ships were then comparatively more valuable. As far as the annual sums set down as our income from the total international wealth up to 1877 are concerned, I have taken great pains in following up every one of the factors through the series of years, the increasing foreign loans, the coming in of more colonial loans, the purchases by the French and continental bourses of international stocks from us, the various phases of railway investments in foreign and American lines. Then I have applied my business experience to give effect to such changes in the goods trade as I was able to do, made allowance for larger or lesser commissions earned by us as bankers of the world, took account of the crisis of 1857 and 1866, and checked results to some extent by the state of the exchanges and the movements of bullion. A most important item is the profit on our ships. In 1852 to 1856 our ships brought a very large per-centage of profit, up to 20 per cent. nett. At the present time shipping is so depressed that it does not, on the whole, yield 5 per cent. clear profit. I followed out all this through the various phases of decline and revival. The per-centage of total profits on each year's accumulation varies, therefore, and is lower now then ever, although the total is larger. It has taken me some months of labour to arrive at these results in as systematic a manner as I could, so as to avoid the charge of guess work as far as it possibly could be

* These larger profits were made in the home manufacture before the goods reached the ships, so to speak. At that time the home profit on the £20 millions may have been as large as it is now on £100 millions. The competition is now so keen, and trade is so bad, that the profit is much reduced, and for the moment, on many goods, leaves a loss. This matter of larger previous home profits is one of special interest at this present time. The profit on our whole Lancashire manufacture may be only 5 per cent., whilst the profit which France makes on the £120 millions worth of her wine industry alone is much larger. The visitors business of Paris alone gives France an enormous annual profit.

avoided, but I give this explanation of my proceeding, for I want you to understand that I may have made great mistakes, and that other people might proceed in a more effective way. For my part, I am satisfied that I am correct within a few millions per annum, and it must of course be understood that each separate year's result does not give the extreme points of a wave line, for one year runs into the other, and perhaps into the next, so that such wave line must be drawn between them.

It will be seen that according to these figures we reached the highest point of our profits from 1870 to 1872, these being also the years when foreign loans were freely granted—but from 1873 a decline in our exports set in—in 1874 we had but a profit over and above of £19 millions. So far, then, as the table shows, the total definite balance in our favour went to increase our international wealth of £600 millions in 1854 to £1,100 millions in 1874. But in the year 1875, for the first time in the history of British commerce, as far as we can trace it, the balance was £4 millions actually against us. In 1876, this increased to £34 millions, in 1877 to £57 millions.

I fear, however, that I must go further than this. You will see that in the table I still assume £60 millions as the income from our international wealth continuing through 1875, 1876, and 1877. I have done so in order to avoid the appearance of straining the case, but must now bear in mind that in 1873 a special period of defaults of Central and South American States set in, involving up to 1875 a total of £10 millions raised in London. In 1876 Peru and Uruguay followed with £90 millions, and Turkey, with a total of £80 millions raised in London alone, besides what we may have acquired from what was raised on continental bourses and given by the Turkish Government. The total loss of income from these defaults may be between seven and eight millions sterling per annum, and this ought to be added to the other deficit against us shown in the table. I have also refrained from taking full account of the present extremely bad time for shipping, or of the mercantile capital withdrawn from abroad, and I may remain within the mark when I state that our international income of 1877—given in the table as at £60 millions—was in reality but about £50 millions, making the actual balance against us £67 millions.

The case, as it presents itself, shows that we must have paid away during the last three years a minimum sum of £101 millions by way of deduction from our international wealth. Reckoning the defaults of Turkey and the South American States, likely to be a total loss, at former market prices as equal to about £55 millions, we might take as the lowest estimate £150 millions, as the higher estimate (including shipowners', merchants', and other losses) £200 millions, so that our international wealth now amounts to from £900 to £950 millions, against £1,100 millions, in 1875.

This leaves us still at the head of other nations. Nevertheless, the rapid change from 1873 to 1877 must waken our attention. Whether you take the figures I have ventured to supply, or make your own estimates on the import and export statistics, and the losses we have suffered through defalcations of bankrupt states, there is this minus of 1877 as compared with 1873, and it may be fairly pointed out that the "dullness of trade" does not only mean our making little profit in the international trade, but that heavy losses have been made by merchants—losses which they do not care to publish. The number and the importance of our export traders have sensibly diminished during the last three years. I need not refer to the slackness of our industry in important departments, and the losses of capital engaged therein. It is computed that, in Sheffield alone, the capital, of various concerns has depreciated by 5 millions, and I am afraid that throughout the manufacturing districts the aggregate of losses must be counted by tens of millions. True, so far, our actual home life, with the exception of the distress existing in some districts, shows no increase in pauperism, and the building trade at this moment appears to be more flourishing than ever. That such should be the case, is easily accounted for. Interior progress of this kind is always consequent upon prosperous years, when such contracts are initiated, and, as you have seen, the years 1871-2-3 were very favourable. Money also is cheap at present, and supports such enterprise. I regret to state it, but I cannot help thinking that we may soon see signs which will modify this activity—at all events, it seems to me that we should not rely upon it, when we experience a weakness in our general trade. That a degree of weakness exists, not because of any previous general over-speculation, as in the crises through which we have passed before, is manifested by a number of features and events in certain quarters, which indicate what may be called exhaustion—and that is an element which may also produce some kind of crisis.*

I trust you do not blame me for alluding to these subjects; for, however cheerful and hopeful we may wish to be, or have the right to be, I think that, in the figures laid before you, and in the signs as they present themselves, we have, at all events, just grounds for anxiety.

What, then, are the causes of the present aspect of matters? In order to lead to the true cause, let me first endeavour to review the various allegations which have been made, in numerical order, and to show whether they are tenable.

Firstly. When, in 1873, trade began to slacken a little, the cause referred to was the Franco-German war. Strange to say, however, the two years following that war were in reality prosperous. From 1848 forward we have had the French and Continental revolutions, the Crimean war, the Franco-Austrian war, the American war, and several minor wars. In fact, never has there been

* It may have been pointed out that, although we possess this international wealth of 900 to 1,000 millions as positive wealth, yet we are subject to a liability of from 50 to 60 millions by acceptances held abroad. England is the acknowledged international banker still, and foreigners hold large amounts of English accepted bills. Several millions are held by the German, Belgium, Austrian, and Dutch State banks, but French bankers especially hold heavy amounts. The evil connected with this is, that by means of such bills they may withdraw large sums of bullion from the Bank of England, leading to a bullion crisis. Yet we have hundreds of millions of assets abroad. Unfortunately, also, the Bank of England generally tempts foreign markets by very low rates of interest, adopted because of its reserve of notes, which arises from the continual issue of the £15 millions of note issue on securities, under Sir Robert Peel's Act of 1844. As regards this subject, I venture to refer to a paper read by me at the end of last year, "Diagrams illustrating the positions of the Banks of England, France, Germany, Austria, Italy, Holland, &c., with special reference to the Bank of England note issue," published in the *Journal of the Statistical Society*, for March, 1878.

a period so rich in war. Yet our trade steadily increased year by year. In connection with this, although only within the last two years, it was said that the threatening Oriental war caused want of confidence. In former times, when merchants had long-winded ventures at sea, and vessels were liable to capture and blockade, there would have been grounds for such want of confidence; but now, when steamships run, and voyages are much shorter, news travelling instantly, when railways lessen the importance of blockades, and a better international understanding exists, there is little occasion for such apprehensions.

Secondly. It was then suggested that the dullness in trade represented but one of the usual periods; that in the following year it would recover. Refer to our statistics of the last 60 years, and, although they exhibit certain variations between one or two years, yet the increase was steady. The years following the crises of 1847, 1857, and 1866 showed a falling off of several millions, but in the next following again an increase. But now we find that there has been a falling off for four years, getting worse year by year, at an unheard-of ratio, and without any of those causes to which we ascribe crises and ordinary periodical variations.

Thirdly. Then followed the allegation that "things had been overdone generally." Hitherto thing were "overdone" at the crises before mentioned. It was then stated that the "overdone" referred to the use of more machinery and over-production. That we are making continual improvements in and additions to our machinery and industry is evident, and for the last 30 or 40 years there has been a steady progress here and elsewhere. But can anyone say, that suddenly, in the years 1873-4, we had made such a start in this as to bring out the results before us? And as regards over-production, that may have appeared so at first from the stocks on hand; in reality, however, the production was not in excess of the consumption it has hitherto met with. During the last two or three years the production has diminished sensibly, and stocks of goods are not excessive. A great portion of our manufacturers have worked half-time or less, or closed works temporarily. The stoppage of public works, such as railways abroad, is one of the most remarkable features. The existing railways pay fairly; there is room for more. Why should the cessation of this kind of enterprise be so sudden?

Fifthly. A favourite allegation is that which ascribes all the mischief to the strikes of the working man. Apart from the question that strikes do not affect much the value of certain commodities in which the falling off has been severe, it has always been held that higher wages encourage consumption and production among the masses. "Strikes" cannot in any case account for the sudden reversal in trade, and at this moment, when wages are again much reduced and prices fallen much below those of 1873-74, there is no improvement nevertheless.

Fifthly. The "competition" of the foreigner was then referred to. Now, if on account of strikes, or for other reasons, the foreigner had acquired our trade, this might seem a legitimate reason. But it is not so. Foreign manufacturing nations complain of badness of trade and falling off of exports even more loudly than we do, and in their turn ascribe it to the competition and cheaper prices in England.

Sixthly. One of the arguments used is that during recent years we have lent but little money to foreigners, who were in the habit of taking large quantities of goods on the credit of loans. I have pointed out before, that, if this were so, we ought to have an enormous accumulation of gold here; but, as that is not the case, the real reason may be rather that of our diminished ability to do so. It will also be found that the defaulting nations were not such large customers of ours as to warrant this large falling off, and that this falling off is especially noticeable with nations in whom we have confidence, or who have no occasion to be debtors to us on such loans.

Numerous other allegations have been made, which, simply or collectively, do not account for the state of things. The newest and most interesting of them is—

Seventhly, that our increasing imports and decreasing exports are due to our free trade policy. To be sure there are some parties who attribute the capacity of the country to import so largely again to the general word "wealth," but this is not worthy of proper accountancy. Others deliberately state that, because we receive goods free, whilst foreigners and some of our own colonies exact a duty, therefore we find ourselves in the present position, and they advocate a return to proportion. I have already pointed out that foreigners make the same complaint as we do, and this shows, *prima facie*, the one-sidedness of the allegation. But the best proof that this is an unsuitable argument for the occasion lies in the figures of table 2, which I have laid before you. Whether you attach strict faith to my figures or not, the general course of our proceedings and annual results bear out the fact that, until 1873, we had a good balance to spare and to re-invest for the increase of our international wealth and superiority. Ever since we became full free traders until then, we have had no motive whatever from departing from that policy, but rather the contrary. It is unreasonable to allege that since 1873 there is a motive for so sudden a change. I will admit that the increased imports are due partly to foreigners forcing goods here, but there is, this year, already a falling off in the imports. I will further admit that our habits are, perhaps, too luxurious. Although I am a thorough free trader, I am aware that such luxurious habits cannot be checked by mere moral suasion, and I am of the opinion that, unless there is soon a better balance between our imports and exports, there is really no other method of effecting this then by a partial return to protection.

But before we propose to initiate so disappointing a policy, permit me here to first point out what I, in conjunction, with many others, deem to be the real or only cause of all this mischief, a cause of which all the other allegations made are but secondary symptoms.

This real cause is the demonetisation of silver, or rather the steps so far taken in this direction. I am perfectly well aware that the mere mention of this subject will rouse the temper of those whose belief in the gold-valuation is absolute, and that here in England, where we have had this system definitely since 1816, the ground for the

consideration of the matter seems unfavourable. Nor is it my intention to re-open the full discussion of the question. I had the honour, two years ago, to read a paper before this Society, entitled "The Fall in the Price of Silver," in which the views of the party opposed to the demonetisation of silver were expressed. I may also refer to the report of the Parliamentary Committee on the question of 1876, and its conclusions as the cause of the fall in silver, and to other works, notably those of the late Monsieur Wolowski, senator of France.

But I may venture here to call your attention to the following facts:—

In 1867-68, when although the legal systems of individual states differed as to gold, gold and silver, and silver valuations, the use of gold and silver was equally balanced in the aggregate by the combination of the laws, there was a question of France abandoning the use of silver, started by the Chevalier school. Monsieur Wolowski (who did me the honour of embodying a translation of my publication on the subject in his works) opposed the step, saying that if, in the then existing state of balance of laws, one of the great nations demonetised silver, the balance would be overthrown, and dire mischief follow. Nothing was done at the time, and things went on prosperously enough, until, in 1872, Germany began to abandon silver, and thus, instead of France, initiated the movement. Monsieur Wolowski, myself, and others, in 1868, or four years before this, predicted that upon such an event the following consequences would ensue:—

1. The international trade of the world would instantly show signs of decline, to the special injury of the countries whose international trade was largest.

2. That public enterprise, such as results in the construction of railways and other beneficent undertakings, would come to a standstill, and that general progress would suffer.

3. That the decline in price would compel countries internationally indebted to depart more and more from the principles of free trade towards a policy of protection.

4. That the nations of the world would first be divided into two principal groups, the one trading in gold, the other in silver, and this would render commerce between them precarious.

5. That throughout the world a fall in prices would take place, injurious alike to owners of solid property and to the labouring classes, and advantageous only, and unjustifiably so, to the holders of State debts and other contracts of that kind.

6. We stated further, that when this time of depression set in, there would be this difficulty, viz., that the causes of this depression would be sought for in all directions; that all sorts of allegations, more or less groundless and phantastic, or of secondary nature only, would be brought forward by the gold valuation school, and that this real cause, the demonetisation of silver, would be neglected until strong signs and distress compelled thinking men to refer to it.

Our predictions were verified to the letter.

Upon what grounds did we found our predictions?

The extent of international trade and business generally depends mainly on the means available to liquidate balances. Hitherto, both gold and silver, in equal proportions, had served for this purpose. But the moment that Germany overthrew the balance, and compelled other European States to close their mints to silver, that medium ceased to be an effective medium of exchange between the civilised nations. You may say ruthlessly: let nations send something else to each other. But this something, and everything else imaginable, has already been sent, and leaves the balances of trade to be settled by gold or silver only. The latter being restricted and forbidden by law, the trade of the world becomes naturally limited to what can be settled by the stock of gold only. The reciprocity between the total thus possible and the means to effect the balances, rests on scientific principles as well as on the common sense and practice of every business man. Let it now be borne in mind that this effect has been produced, as far as we see it now, by a partial demonetisation only; as this, unless means to redress or stop it are taken, must ultimately become complete, as the advocates of the gold system desire it to become, the effect would be still more violent. It follows, then, that if these steps towards demonetisation of silver had not been taken, the trade of the world would not have declined, but increased with the less copious, but still continued, increase of gold. It follows further, that if the new discoveries of silver were freely admitted into the general stock of real money, there would be a ratio of increase beyond what we have experienced before 1873.

The almost sudden stoppage of public enterprise, railway making, and other undertakings rests on equally plain grounds. It has always been found —and the experience gained since the gold discoveries in 1849 proves this—that the most effective, and the only true way of incorporating an accession of precious metal with the already circulating currency is through large public works and enterprises of that kind; these are engendered, so to speak, by such additions. But when, through the demonetisation of silver, a contraction of the whole stock of money is enforced, it follows that the opposite effect must be produced. On the other hand, if the fresh silver was freely admitted, there would be a great advance in such public enterprise, as well as a general advance in the arts. In the middle ages, shortly after the discoveries of silver in Spanish America, an era of comparative wealth and activity among the working classes set in, which stimulated labour for the production of objects of art in an extraordinary degree.

The great decline in prices, predicted by the bi-metallic school, which is still in progress, necessarily compels certain nations to depart more and more from the principles of free trade. States like Austria, for instance, which, as I have shown, have to pay away a large sum per annum to foreign investors, would be able to do so with greater ease if prices were maintained and silver available. But through the demonetisation of silver, their difficulties to recover specie payments are doubled, and their debt weighs upon them with double the effect. Whereas, with but a moderate tariff they would have been able to liquidate their debt, at least so far as to pay interest without borrowing more, they are now compelled to put on heavier duties. No high-sounding phraseology respecting free-trade can gainsay the necessity for their adopting such a

policy. Although nothing definite has yet been done, still Austria, for example, is about to increase its import duties, and other States will, and must follow this course. Are we not ourselves, the very champions of free-trade, now debating whether we should not recur to the policy of protection or are you of the opinion that the flowing speeches at the Cobden Club dinners will set right our balance of trade? Hearty free-traders as we all are on principle, imagine what would follow if England become again protectionist! There would then be a general race among nations for increasing their tariffs, until international trade, its benefits, and its civilisation were pressed back into the condition of preceding times. The prospect is a sad one. But if silver were not demonetised—if, on the contrary, the fresh supplies were admitted, there would be higher prices, higher production and consumption, and higher prosperity. The State debts would be discharged with greater ease; each nation could develop its own proper and fit resources for mutual exchange, instead of artificially protecting classes of industry which can be carried on more fitly elsewhere; and we, here in England, might find that our prosperity would become greater than ever before.

The division of the nations into two groups is illustrated by England and India. So far, the balance of trade has been in favour of the latter country, but the cheaper rate at which more silver than usual has gone to that country does not compensate India for the loss on the great mass of currency. Our exports to India are weakened, and the losses, to merchants and others, severe; and if, as is not only possible but naturally to be expected the trade balance should turn the other way, how could India pay us? It will be said India will, and must, send gold! Every country discharges its international liabilities in the metal of which its currency is chiefly composed, and cannot do otherwise. Now, if we were wise enough to regard India's interest in this matter, and assisted as far as we can in the recognition of silver, we could receive that material from them, use part of it ourselves, and distribute the greater portion over the other nations for the furtherance of our trade generally. We might then succeed in assimilating the Indian valuation to our own.

The decline in the prices of labour is already so serious as to cause and threaten more suffering to the industrial classes all over the world. Next in order must come the decline in the value of land, house, and moveable property, whilst the gratuitous increase of the value of such long contracts as State debts and other fixed obligations is surely a most monstrous and oppressive prospect. All this would be avoided if silver were upheld, and in the greater prosperity of the labouring and solid property-holding classes, the holding of the long contracts themselves would ultimately find their greater benefit.

The above remarks apply only to what may be called the "international" aspect of this matter, but there is an "internal" aspect which requires serious consideration. The demonetisation of silver means that it is to be deprived of its full legal tender character, and that shall only serve as "change." This necessitates the restriction of tender to a low figure (£2), and the abasement of the metallic value. The consequence is, that the whole coinage of silver must be forcibly limited to perhaps one-tenth of what it would be in full single valuation. It is one of the greatest questions of the entire problem, whether this enforced limitation of the means of exchange is not one of the most crying evils in the countries where silver has been demonetised before, as in England. The classes who principally use silver coin are not only in the overwhelming majority of more than three-fourths; but, unlike the other one-fourth, they have not such facilities as are afforded by banking and other systems of exchange. It is the deliberate opinion of many thinking men that, if the leaders of the democracy were men of wit enough to understand such subtle questions as these, there would be a popular outcry against such fearful injustice—an injustice which lies at the root of many anomalies in the social condition of these and other classes.* Under the threatening final decline of the value of silver, there is a worse prospect before us, the nature of which can be imagined by those who know something of the Mint laws and Mint operations.

But leaving the "internal" matter aside for the present, and referring only to the "international" considerations involved, it may strike you that there is nothing unreasonable in what I have said respecting them. There are £750 millions of gold and £600 millions of silver money—together £1,350 millions—in use in the world. The demonetisation of the latter would aim at destroying by law the use of £450 millions of legal tender money, reducing the total to £900 millions. Now, whether this forcible deduction affects the international trade, or, what may be more grievous still, the internal and most necessitous interests, or both combined, every thinking man will at once here see the true cause of the present depression of trade. Recollect, however, that so far the £450 millions are demonetised only to a moderate extent, viz., Germany has discarded silver, but this silver has been taken up chiefly by India. Yet this movement alone has been sufficient to cause the change in the aspect of international trade; and what the result will be if this matter goes further might be imagined.

Permit me now to submit to you this question:—

Is not the present experience sufficient to entitle us to demand of ourselves imperatively, that we should reconsider the doctrines which have led to these results, and the adherence to which hold out still darker prospects? Unfortunately, here in England, there exists a kind of infatuation as regards the gold valuation which will resist this to the utmost. In the discussion which may follow upon the paper, you will hear one or more well-known voices, who will tell you that all these doctrines have been discussed and settled before; that the pertinacity with which men like myself bring forth this matter again is surprising and disappointing. They will jeer at me; but are you to be condemned to intellectual immobility, the curse of dogma, just because such men are of the opinion that this matter has been settled by others or themselves? I have said before that a full discussion on the subject is out of the question; many minor matters, such as concern the weight of

* The writer of this brought this subject before the Statistical Society, in a paper called "Currency Laws and Pauperism." *Journal of the Statistical Society*, of March, 1871.

silver, for instance, can be dismissed as frivolous; but there are two main points to which I may call your attention.

The saying prevails, "Gold or silver is the standard of value." Hence the controversy about single standard *versus* so-called double standard. It is utterly wrong to say that gold or silver, either singly or combined, forms the standard of value. When first national economy became a subject of literature, the economists of the times sought for words and phrases by which the apparent mysteries of monetary science could be stated. At that time they were but little acquainted with the true nature of banking, clearing systems, and international exchanges, and, in the same way as a child makes his first experience with the power of a piece of coin, they held money as paramount, as the central power of social life, and called it standard of value. The phrase carries a meaning which is quite untrue. The value of commodities depends on thousands of factors and considerations. Modern advance in banking and clearing systems has shown us that, for the greater portion of intercourse, we require neither gold nor silver coin, nor bank-note currency. And beyond the use of the precious metals in settling international balances, that of the interior circulation is confined to a range in which money, of whatever material it be composed, acts in a purely mechanical way, as means of transfer. Nothing whatever warrants the definition that therefore either the one or the other material is the standard of value. You can, however, well understand what influence this insipid saying has exercised upon the controversy, in what grandiloquent manner it has been used to condemn the "two standards," or the "double or alternate standard," and how this must have confused, and still confuses, the minds of both speakers and hearers. All this grandiloquence, with its false pretence to modern science, and allusions to the "nineteenth century," must fall to the ground, for I have not the slightest doubt that there are logicians in this country who can clearly define the true factorship of money, and show the error or clap-trap involved in the phrase respecting "standard of value."

The other point concerns the denial of the power of the human law or agreement, in other words, the demand to maintain the relative value between gold and silver at a fixed ratio. The opinions of the monometallic parties themselves are much divided as regards this, their special paradox. The views of the extreme or fanatical gold valuation school are well represented by a letter in the *Economist* of the 23rd February last, wherein the writer, alluding to the American proposal for an international conference on the question, says:—"An international conference might, for any practical good that can possibly ensue, be just as wisely summoned to fix the relations between supply and demand, and between all fluctuations of commodities." This is the usual assertion, hitherto applied only to the different valuations among nations, but extended now to the denial of an international understanding. To deny that the human understanding or law has any influence on the value of a thing, means an entire denial of the force of demand; a compromise on the question is impossible, for if this fanatical party admitted that human agreement had such an influence—a partial one only—the paradox would instantly collapse. The extent of this influence may, in the opinion of one, be insufficient; in the opinion of the other it may be deemed more than sufficient, and the practice proves that the latter is right. A serious point of logic is involved in this, all the more remarkable, for this reason:—The extreme party of the gold valuation denies the power of the human agreement to uphold the relative value between gold and silver; but, in order to assert the legal tender force of gold, it has recourse to the human law in order to suppress that of silver, and maintains that, although the subsidiary silver coins are made of a much inferior quality of metal, yet that the law itself supplies the deficiency. It is to be hoped that men understanding pure logic will take this matter in hand for the sake of humanity, so as to show the utterly false pretence to which this important cause has been subjected.

The more reasonable section of the gold valuation party are ready to acknowledge the partial, and even the supreme influence of the demand, if not destroyed by an express law. Dr. Soetberr and others, admit that the variations which have hitherto occurred between gold and silver, are due to the differences in the laws of various nations, and that, if all nations were agreed upon a fixed proportion, there would be no further question of variation, even under the most varying conditions of supply. Let me, therefore, appeal to you to investigate again this seeming paradox and the illogical use made of the human law. If the doctrines founded upon these phrases are erroneous or doubtful, all the edifice built upon them, the theory of the creditors' wrongs and other matters, must disappear, and at least give way to a more reasonable consideration and less fanatic dogmatism

Besides these theoretical matters, there is now before you a practical proof of right or wrong in the problem. It has always been the boast of the gold valuation party that their system would confer great advantages. They pointed to England's prosperity as a proof. Lord Beaconsfield put the matter right to some extent, when, some years ago, as Mr. Disraeli, he said at Glasgow:—"The gold valuation is not the cause, but a consequence of England's prosperity." We cannot run the same course over again, so as to compare the results of the mono-metallic *versus* the bi-metallic systems. England's prosperity is due to other causes then the gold system—the question is rather that whether, under the bi-metallic system, the country would not have done much better, both for its external and internal trade. The reason why England's gold system has not been so palpably unsuccessful is simply that other nations upheld silver by way of set-off. Now that this balance has been overthrown, that the gold system has spread to one or two more nations, where is the benefit?

We see, on the contrary, that decline and damage are the result. When we, the bi-metallic party, predicted this ten years ago, we were laughed at. More than two years ago, requested by the Governor of the Bank of England, I gave my views on the subject, in a letter which the Governor embodied in his report to the Marquis of Salisbury. I stated distinctly, among other matters, that a

great and rapid decline in general trade and prosperity would set in. The Governor of the Bank characterised this view as too "pessimistic." In March, 1876, I also, from this very spot in this room, repeated the same opinion, and gave figures to show the beginning of the mischief. Then, at the end of 1875, the falling off was but four millions, and again I was angrily charged with crying *wolf*; but I refer you to the results of 1876 and 1877, as well as the prospects of this year, for the practical right. None of the gold-valuing parties have predicted such a result; on the contrary, they predicted the contrary. And if they are now trying everything to blind your judgment as to the real causes of the decline, you cannot do wrong in reserving in your minds a corner for those whose explanation of the whole case is confirmed by facts.

Permit me also to make some remarks as to the personalities concerned in the problem, for this may be of consideration to those who do not care, or lack the wish, to study the matter from its beginning themselves. Of the old bygone economists I will not speak; they had less opportunity of taking a complete survey of matters of exchange than now; and we, the modern thinkers, ought to have sufficient wit to see for ourselves. On the gold-valuation side there are, firstly, men of the stamp of the Right Hon. Robert Lowe, who, faithful disciples of the old schools, and downright Englishmen and Australian, will scoff at such efforts as I have made. Then comes the view of what in the Dutch Legislature was called the gold-fanatics, of which my good friend, Mr. Hendriks is the acknowledged leader, one of his pupils being Monsieur de Parieu, the President of the Conseil d'Etat of Louis Napoleon. The strong views expressed in the *Economist* exhibit the method in which he treats the subject. Between and about these representatives of the gold-valuation school there are the general believers in our old economists, bound to be so from patriotic feeling as to our doing things right. It is needless to say that almost the whole of our provincial press, and the general body of those who have taken some interest in the matter, are imbued with the current doctrines as to "standard" and the "theory of fluctuations." One of the most remarkable positions as a monometallist is that of Michel Chevalier. He first advised the demonetisation of gold, then that of silver. At the same time he is the great champion of free-trade. I have shown you before this, that under the present circumstances of our import and export trade, it is, indeed, a great question whether we can alter this state of things, unless we do have recourse to protection in some form or another; and just because I am a hearty and clear free-trader, do I feel the weight and sorrow of this. How will Michel Chevalier deal with this anomaly? When next he attends the Cobden Club dinner, I hope he will come prepared with what in mercantile language is called a *pro forma* account current, and support his grand eloquence with dry figures. Among the extreme supporters of the gold valuation I count few, if any, international bankers. Bamberger, of Germany, is the only exception. But his views are not without reserve. His efforts went principally to protect Germany. The great majority of the defenders of the exclusive gold system are men engaged in other professions than that of international banking, and lack, at the least, that practice in detail which leads the educated banker to the recognition of the highest principles involved in the problem. Yet such persons hold the view that practical bankers profit by what they call the double valuation, a view as untrue as it is insipid.

On the other side stand men, such as Baron Alphonse de Rothschild, in Paris, a gentleman whose education and high views are second to none, M. Rouland, the governor of the Bank of France, and many other eminent persons in France. The governor of the Reichsbank in Germany, of the Netherlands Bank, and many other eminent authorities on the Continent, men of the highest honour, are ranged on the side of the bi-metallic system. In the United States, also, the matter has received attention, and the Legislature has passed the so-called Bland Silver Bill. We here have been told that roguery and villany are at the bottom of this measure, and abuse the Americans for the re-adoption of silver. Is this quite right and fair? Do nations commit such wholesale roguerie without there being a shadow of good right and sound motive in the case? I trust no one will go so far as to maintain this.

And here, just in connection with this American Bland Silver Bill, an opportunity offers itself for doing what is necessary and right. It may be thought that this partial remonetisation of silver in the United States will serve as a set-off against Germany's demonetisation, and restore silver to its former position. (Curious to say, some of the gold school, who deny the power of such legal enactments, hold this view.) This is an error; the American Bill, in its present form, only cripples the matter more, and introduces greater confusion. Besides the restrictions upon the coinage of silver, necessary because other nations coining silver hitherto as legal tender have restricted theirs, the great fault in the Bland Bill is the adoption of the dollar at 412½ grains—making the proportion of gold to silver 1 to 16—whereas the dollar ought to have weighed 400 grains, to be in accord with the Latin Union, and old German, and other valuations of 1 to 15½. It cannot be expected that these other States will alter their millions of coins to suit the United States, and they must continue to close their mints. The "international" usefulness of silver is thereby again destroyed, and the Bland Bill itself carries its own death-sting in the dollar of 412½ grains.

The United States have, however, introduced a clause into this Bill, which provides for the invitation of all nations to an international congress on this point of agreement. Our gold fanatics scoff at this, as a matter of course, and call it chimerical; but I trust that the common sense of Englishmen, and of their Government, will receive this invitation to a congress with respect, and that it will be attended. It can then be shown that, by a slight concession on our part, we may practically maintain our gold valuation. The introduction of a four-shilling piece, of the proportionate value of one to 15½, to remain for the present under the same restrictions as our subsidiary coinage, is all that is required. This piece would well accord with our

Indian silver coinage, being exactly two rupees and two annas in value. Full particulars of this proposal I gave in the paper on "The Fall in the Price of Silver," read before this Society in March, 1876.

I now leave the figures and the statements submitted to your good judgment. That this question is a very subtle one you will admit; in the popular mind those who occupy themselves with matters of this kind are supposed to be men possessing some special leading kind of intelligence. Hence the public frequently attaches faith to the one or the other, without troubling themselves with the full reasons advanced. In this matter I have arraigned against me the majority of our home economists, or believers in the gold-valuation. Some of my friends tell me, however, that in certain works which I have issued on monetary matters, I have given evidence of ability to teach these matters, and that they have profited thereby, not only as regards practical detail, but also as far as higher logical considerations are concerned. I mention this only in order to give you an idea as to an impression which I lately succeeded in making upon a gentleman, of high education and position, who came to consult me upon this matter. This gentleman was thoroughly imbued with the current views of our economists on the point, and had studied their writings on this very question. I represented the case to him pretty much as I have done here, but had more time to do so. The result he expressed to me in the following words:—"I see now clearly what you mean, and fully agree with you. The doctrines held by our gold-valuation school wantonly inflict an injury upon the world, and entail a kind of devilry, the curse of which no one can see the end. I also clearly see that the re-admission of silver into the monetary systems, on an international understanding, would confer an immense benefit to mankind. The alternative is, therefore, a most momentous one." He added further:—"And you, the bi-metallic party, are treated by the gold fanatic school with this sham nineteenth-century phraseology, as if you were mere sentimental, old-fashioned simpletons, and inferior in brain power. If the question of which are really simpletons is to be decided by facts, it is clear that, whilst the exclusive gold party has predicted a benefit to the world, you have persistently predicted the contrary, and the facts support you." The expressions "devilry" and "simpleton" are not my own, nor do I want to use them with any disrespect to my honourable opponents, but they convey that impression which far-sighted, earnest, and liberal men gain on this case, if they investigate it after freeing themselves of preconceived dogmas.

Finally, I say this to you: Yes, the moment is a is a serious one for you and for the world; it either involves the coming devilry of which we now see the first beginning, with all its confusion and misery, or the increased happiness and more general prosperity of the world—as you may consent to let these dogmas conquer, or as you may be willing to take a wider, and therefore more truthful, range.

It has often been predicted, upon historical precedents, that Great Britain may come to a decline of wealth and power. We have hitherto been able to laugh at this, for we were able to point to our statistics in proof of ever-increasing prosperity. And truly that was proof of our progress. What is aim of all life, political and social, the conquests we have made to govern and civilise other nations, the very aim of empire itself, than that of maintaining and perfecting this increase in material wealth, the true foundation of intellectual wealth, and that of civilisation. Why do we sing, "God save the Queen" at our public dinners, but by way of expressing also our satisfaction at our condition, for which we are ever ready to keep our swords sharp. I confess to you that at such occasions a high patriotic feeling for England overcame me, all the more sincere because I had construed for myself the framework and factors of the wealth of this country, as I have endeavoured to picture them to you, and the reasons of their growth and increase. It is this which moved me, in 1867, to take so serious a view of this matter, and to predict its consequences in clear terms. And now, when I see the beginning of these results, the same earnest patriotism justifies me in appealing to you again.

What you have to decide is this:—Will you attach faith to these that doctrines of the gold-valuation, which in their actuarial dryness are so pompous and seemingly effective to the weak-minded, yet for this very reason so weak of grasp and devoid of life? If, *nolens volens*, you will let them have their course, you may see yourself drifted into a state of things which can scarcely be redressed. There may be temporary revivals of trade, comparing one period with a preceding one, but you will find that the whole tendency will be downward. The fall of empires is generally due to some subtle cause, which instils its poison into the system. In former times, when social science did not exist, such causes were frequently overlooked. I am not dogmatic enough to insist on your accepting my view as to the poison involved in this matter, but there are many among you who may have their suspicions in reference to it. For myself, I hesitate not in saying, and justify this to myself by the picture I have drawn, and all the influences which affect its working—from the international point of view, the questions of free-trade and protection, to the internal considerations hinted at—that this cause, unless it be rescued, threatens the destruction of England's wealth and supremacy with mathematical force, and this is impressed upon my mind with letters of fire.

If, on the other hand, your leading intellects and your statesmen should free themselves of these insufficient doctrines, and all their inferior belongings, if they should gain the right view of what solid currency, its true office and benefit means for both international and internal purposes, and if they should meet this matter in a liberal and business-like spirit, a different result will follow. A proper understanding will do away with the uncertainty in commerce, with all the angry mutual charges of nation against nation. For India it will be of incalculable benefit. For the world at large, it would mean an increase in prosperity and well-being which will throw all previous ages into the shade, and our own Custom-house statistics and general accumulation of wealth might exhibit figures of which our patriotism would have reason to be much prouder than ever.

If you believe me in my earnestness, if, in what I have said before you and said before I have made certain matters clear, if on the whole, as regards principles, consequences, and facts, I have been consistent, you may believe that I say all this to you because it appears to me as clear as the light of day. But if you do not attach weight to what I say, if you remain passive in all this, let me herewith put these views on record, as I did ten years ago in my first publication on the subject, and two years ago on the very spot on which I now stand, and for all the rest I claim your indulgence.

DISCUSSION.

Mr. Hole thought that the fact of the price of silver having advanced since Mr. Seyd read his former paper without any corresponding general improvement, was an argument against his statement that a remonetisation of silver was the only remedy required. He also thought some of Mr. Seyd's calculations misleading, and disagreed with his remarks on protection.

Mr. Dibley said they must feel indebted to any gentleman who should bring before them any reason for the present great falling off in the trade of England, a matter of vital importance to so great a manufacturing nation as ourselves. At the same time, he did not share in the view propounded to account for it, that it was due to the demonetisation of silver, in opposition to which they need only refer to Mr. Seyd's previous paper relative to the depreciation of that metal, the value of which they had since seen rebound again. It was to be hoped that Mr. Seyd would find the main principle he had brought before them answered in a similar manner in a few years to come. It would be a fatal principle to adopt to treat a question of this description solely as an absolute question of free trade or protection. The simple fact was that any course taken by Government must be dictated by expediency, according to the circumstances of each nation itself. Free-trade assisted us when we were able, in the matter of production, to supply the world with goods; free-trade was a very good cry when our machinery was in full operation, and generations of workmen had grown up with a predisposition to habits of industry, for then we could manufacture from the resources placed within this island a vastly larger quantity of goods than were required for our own goods. But, supposing previous to the development of our resources France, for instance, could have sent coal and iron into this country at a very small rate, so that it would not have paid our capitalists to venture their money in the development of the resources of this country, the result would have been that we should have remained, as many nations remain at the present time, with enormous resources comparatively undeveloped, being able to supply their wants cheaper from abroad than they could manufacture for themselves. But the great question was, what was the cause of the falling off in our exports? It was well known that from 1871 to 1874, through a concurrence of circumstances, the price of production in this country rose to an extraordinary height; in the commodity of iron alone, which used to be purchased for £9 a ton, £24 a ton had to be paid for it. What was the condition of matters abroad? Many nations had within themselves the bases of production; they had coal and iron-stone, but they had no inducement to expend capital to work them, since they were able to import their goods at a cheaper rate than they could themselves produce them. But America, for instance, had now become nearly self-dependent. It was all very well to talk about the effect of the international exchange of silver as if it were a sort of manna to be prayed for to fall down upon us, but, in spite of such fine poetical theories, the fact remained that each nation did the best it could for itself in setting about to develope its own resources, so as to become as far as possible self-reliant. Germany at one time was nearly dependent upon us for her crude materials and for rails, but they were now manufacturing for themselves; they had put an enormous duty upon all articles of British and foreign manufacture, and were even sending steel of very good quality to England, because they could produce it cheaper. It was a well-known fact that the shop windows throughout this country were filled with articles of American manufacture, and agents were continually soliciting orders for American goods which could be produced cheaper in America than here, notwithstanding that the price of our labour had fallen. As a fact, forks used for agricultural purposes were produced there and sold in Sheffield cheaper than they could be made on the spot. The falling off in our exports was not due to the demonetisation of silver, but was the consequence of our having lived in a fool's paradise, and allowed our commodities to attain an unnatural price, and thus induced foreign countries to develope their own resources. How the condition of our export trade was to be improved was the serious question to be considered. The action of Government must always be a matter of expediency, and it was our duty to love our own country best; but they should consider whether the difficulty could not be met by reciprocity, and that was one of the earliest points they should set about to prove.

Mr. Bourne said he had been condemned for stating the balance of trade against England at too high a figure, but Mr. Seyd had put it still higher, and, unfortunately, it did not seem that his figures could be controverted. There could be no question that, since 1872, the balance had changed, and that year after year we had been importing more largely and exporting less, until, at last, it had become a very serious question how to meet the emergency. In former years we exported largely to other countries, and accumulated debts with them, which they were now repaying in food. In the case of America, with which we had a large trade in railway materials, they did not pay in money for what they received, because we were rich enough to give them credit, and were satisfied to take railway and other securities from them, but now they, as large producers of the food we required, were sending it to us, and we were paying them for it by the securities we held. But that was a process which could not go on *ad infinitum*. He quite agreed with Mr. Seyd that the balance against us was now about 57 millions, so that we must have enormously reduced the general indebtedness of the world to England. What was the lesson to be learned from these facts? Mr. Seyd had spoken of the demonetisation of silver, but he certainly failed to see the connexion between the alleged cause and effect, as Mr. Seyd also had failed to show it. That gentleman had further recommended protection; but it was difficult to see how protection would help us at all. Hitherto the loss had certainly not amounted to anything very large, for if the imports were analysed it would be found that food represented in 1876 £159,000,000, while raw materials amounted to £119,000,000, and manufactured articles to £41,000,000. Therefore it was quite clear that up to the present time free trade had not produced a very large amount of competition; but we, through our luxurious living and high rates of wages, had increased the cost of our productions in foreign countries, so that they were now compeling with us. If we could induce other nations to adopt free trade, as we had done, the mischief would cure itself; but as that could not be done, we must resort to other means. We had a choice of courses open to us; one, necessity was impelling us to, viz., reducing the rate of wages, and lowering the expense of producing manufactured articles; and the other was that of lessening

our imports, not by any arbitrary law, but by the influence of public opinion. We must cut off articles which were not necessary; and alcohol was one in which we must very shortly make a very considerable reduction. But the chief point to look to was the development of new markets—leaving the old countries now effete for us, and engaged in all kinds of contests, and going to the new countries which our geographers have been discovering for us. There we should find markets which would again develope our export trade.

Mr. Langley said—I think we all owe a debt of gratitude to Mr. Seyd for what I must call a most valuable contribution to the financial literature of the day, endeavouring, as it does, to fathom one of the most difficult problems of our very intricate civilisation, which, as I believe, is becoming more and more so every day—the result of our increasing numbers and the limited area on which we struggle to earn a livelihood. I need not dwell on the figures as published by the Board of Trade, which, year by year, and more especially within the last three or four, exhibit the extraordinary results of an enormous increasing balance of trade against us, and yet I am somewhat disposed to draw a crumb of comfort from the magnitude of the figures, for the reason that I feel bound to believe there must be some counterbalancing facts, or we should otherwise, with a balance of £130,000,000 against us in 1877, and that an increase over the last and previous years, have been long since drained of every ounce of gold we possess; but, be that as it may, our best thanks are due to Mr. Seyd for having brought us face to face with one of the, if not the most important and difficult questions of the day, and I pay him no undeserved compliment when I assert that his paper deserves the most careful attention of all men engaged in commerce, and that statesmen would do well to ponder his words and weigh his facts and arguments. To the best of my humble judgment, the most important and most interesting part of Mr. Seyd's paper is that in which he endeavours to trace the cause of the present unsatisfactory state of trade and commerce as shown in our trade returns, but existing more or less in every country of the world, perhaps mostly so in Europe, Asia, and the United States. This cause, Mr. Seyd maintains, is the demonetisation of silver, and to the best of my very humble judgment he is right. I believe he has got the right sow by the ear, and in confirmation of this belief I would particularly call your attention to the predictions made by Mr. Seyd in 1868, when the demonetisation of silver was first discussed; those predictions are verified by the state of things actually now present in a most remarkable way, and although it may be doubted whether demonetised silver is the cause of the present state of things, as predicted, we are bound to give Mr. Seyd's foresight a very large share of the benefit of the doubt; for myself, I believe Mr. Seyd to be right, but, right or not, the resemblance between his predictions and the actual state of things is wonderfully exact. I anticipate that the effect of Mr. Seyd's paper will give rise to an amicable contest between the advocates of the two metallic schools—the bimetallists and the monometallists—and in view of such a probable passage of arms, I would say that while we, the advocates of bi-metallism, have the broad fact as our base, that the system has existed in France the last 70 years, and still exists, is not abundoned as some would have you believe, and that, therefore, we are eminently Conservative in our desires, our opponents advocate the abolition of a system which we maintain has been mainly instrumental in aiding the prosperity of France and the Latin Union generally. As before named, the opponents of bi-metallism would have you believe that France has abandoned her double system, but this is not the facts; she has suspended her system till March, 1879, and when the law was in progress for this purpose a few weeks back, M. Leon Say stated that reasons were at work which would probably change the whole aspect of the question before the present year was out. This does not sound like abandonment, and no doubt the reasons referred by M. Leon Say were the arguments thus taking place in the United States, on the subject of their restoration of the double standard; and in this matter I would beg to call your attention to a remark by Mr. Seyd as follows:—"If the leaders of democracy in this country had the wit to understand such subtle questions as these, there would be a popular outcry against such fearful injustice" as the demonetisation of silver, and this remark induces me to say a few words on the action of the people of the United States in this matter. In the first place, we must, I think, take it that the re-adoption of the double standard in the United States has been the act of the people, it has not been the act of the Government, but rather the act of the people as opposed to their Government, who were rather largely, and somewhat broadly, not only by tacit but by expressed consent, committed the other way in connection with their funding arrangements. Now, it appears to me, that the people of the United States have had the wit to see that injustice was being done in respect to silver; many arguments used indicate this, and much of the evidence taken before the Silver Committee distinctly proves this. I do not say that there has been no tendency to repudiation, as urged so warmly along the Atlantic States, and re-echoed here. I am sorry to say that I fear there has been more tendency in that direction than there should have been; but I believe, and at any rate hope, there has been less than appears, and I am more disposed to believe that the American people have had the wit to see the injustice, and by an unrefined common sense, and a reference to their previous history, determined they would have what they always have had—a dollar, and a dollar they have got, of the weight and fineness of their law of 1834, which, they claim, gives them the right to pay in gold or silver. It is true that the dollar of 412½ grains only complicates the question in an international point of view, making the ratio of value 16 to 1, in place of 15½ to 1, as in France; and how the difference is to be arranged it is difficult to see, for no international arrangement can exist except on an equal basis or value. Either the United States or the Latin Union must give way—which, remains to be seen. We have lately been favoured with a paper on the question of the India exchanges and their variation, caused by the variation of silver. Without going into that question, it enables me to remind you of Mr. Seyd's proposal to coin in India a new coin of 2 rupees 2 annas, the equivalent, at 15½ to 1, of 4s. exactly, and this coin Mr. Seyd proposes should be a limited legal tender in this country. This proposal deserves some attention; it would be perfectly harmless, and would touch no interest, and would tend to facilitate an equilibrium in the India exchange. The creation of such a coin would be the exact fifth part of our sovereign, and as such, would lay the foundation of the introduction of the sovereign into India as the exact equivalent of five coins of 2 rupees 2 annas each, at 15½ to 1. Time does not allow of any more elaborate discussion on the silver question, which I feel I have very inadequately represented to your notice. Bi-metallism, you may rest assured, will, like many other important circumstances, assert its rights, and will, sooner or later, if not not and adjusted in a proper and statesman-like manner, make itself felt in a way that will overpass the power of resistance; but on this matter, as we have heard in the old play, "Time Works Wonders," and to time I am quite prepared to leave the final adjustment of this most important question. I cannot sit down without once more offering my meed of praise to the author of the valuable paper which I have just heard read. In that paper the views of the author are clearly and distinctly laid down, and I am satisfied the time will come, and is not far hence, when the financial world will pay to Mr. Seyd the honour

which i his due, in my judgment, for one of the most able papers that have ever been contributed to financial literature.

The Chairman, while seconding the motion, could not agree with Mr. Seyd in his facts or figures, and certainly had not expected to hear protection advocated at this day. They had been told by one gentleman that labour was so cheap in America that American manufactured articles could be sent here to undersell us, while another had said that everything was so dear and duties so high there that they could not send us anything if the cost of product on here were lowered; but how high duties in the one case and lowness of rates of labour in the other could produce mischief in both countries seemed beyond concept on. It was said we were importing much more largely than we were exporting, but Mr. Seyd had clearly shown that we have a very large amount of international wealth, and that some few years back it amounted to 1,000 millions. Was it extraordinary, when the whole Continent had been in a state of commercial collapse, that in the States of Germany and France for two or three years past there should be a balance of 60 or 70 millions now repaid to us? He thought Mr. Seyd's calculations erroneous, but it was impossible at present to go at length into the facts and his deductions from them.

Mr. Seyd, in reply, said that many of the remarks made in opposition to what he had stated had arisen from the disadvantage of his not being able to read the whole of his long paper. This was not a question of the recent increase in the price of silver, but of its cessation as a medium of exchange. Adhering merely to the principle that silver, whatever its price might be, should not be debarred as a medium of international exchanges as it had for the last 6,000 years, he had come to the conclusion that if it were, trade must suffer. Hitherto £1,300,000,000 of silver and gold had been used in the world, and if the demonetisation of silver threatened the loss of £600,000,000, or any portion thereof, the international trade of the world must suffer. Ten years ago the necessary consequence of silver ceasing to be an international medium of exchange had been pointed out. That was the deeper cause which Mr. Langley had clearly recognised, but which the gentleman who regarded the question from the food point of view had been unable to see; but they must enter into the whole theory of the matter in order thoroughly to understand it. The subject was one which involved great questions of logic; and we must go back to these great considerations, when other matter and features of the case would show their secondary character. Besides this international problem, there was an "internal" problem connected with it, perhaps of greater importance; but until men of thoroughly logical inclinations and capacity took this in hand, there would be no chance of the subject being properly appreciated, and the effects would be mistaken for causes. He had been quite misunderstood on the subject of protection, for he distinctly stated in the paper that he was a free-trader. Though the most brilliant eloquence might be used in favour of leaving things alone, any grocer in the City of London would be able to answer the eloquence with these figures. What was the use of appealing to Chevallier's statement that free-trade was the "grandest thing in the world," in the face of those figures? He did not stand alone in alluding to the necessity of doing something. Lord Bateman had lately, under the plea of raising the £6 millions, advocated "reciprocity," a subject ably treated by Mr. J. T. Pim, of Dublin avowing himself a hearty free-trader, but a proof of the confusion under which we laboured. Mr. Dibley also advocated "reciprocity," another term for "protection." What he wanted to point out was that this tendency to advocate a return to protection had been predicted by him 10 years ago as a necessary consequence of the demonetisation of silver. And he did not advocate protection now, on the contrary, he hoped that logical inquiry into the problem would lead others to see the real cause of the present anomaly, and that they would act accordingly, so as to avoid the need of protection, and return to free-trade principles. Mr. Dibley's allusions to the importation of American goods served to show how the demonetisation of silver affects the international trade. America is a large producer of silver, but she cannot use this freely for payments to us. Hence she is forced to create a set-off by forcing her industry beyond measure, and that illustrates also the position of other States. But if we could take £10 or £12 millions of silver, our trade with America would not only increase in that measure, but we could part with the greater portion, on a safe basis of contract, to India and other States—and all the beneficial ramifications following thereon, now destroyed, would not only again become operative, but increase in extent. Another speaker had said that every nation must have its own development. Granted. If the depression in our trade was due to such progress made by foreigners since 1873, it stands to reason that these foreigners ought to have obtained our portion, and be the more prosperous, but the fact is, they suffer as we do from depression in international and internal trade. Mr. Dibley had said that our prosperity and prices a few years ago were too high. The mercantile principle is, that we should make profits, and so we have honestly acquired our wealth; it was a matter of regret that people will try to explain such loss of profit by such phrases, instead of showing willingness to inquire into the principles pointed out. If this inquiry took place, the mysterious cause of all the mischief would soon be more manifest to all. In conclusion, whatever might be the right view of the question, the fact existed of the sudden decline of business all over the world; England was not affected alone, and that this decline, so sudden and surprising, set in at the moment when silver began to be diminished by Germany. The speaker ended by saying:—Admit at least, that we, the bi-metallists, clear in our conclusions ten years ago, predicted this decline. You may puzzle your brains regarding other possible causes without finding them definite, and you may therefore place some confidence in people whose predictions of evil become true. You might therefore place equal confidence in our predictions of good, and believe me when I say that if proper steps were taken for the proper use of silver, there would be greater prosperity than before. If in 1872 our exports amounted to £315 millions, which have, through this cause of demonetisation, declined to £251 millions, I allege that if this cause had not existed, or if we had done our moderate share in upholding the use of silver, we would have seen an increase to £400 millions, or beyond. What this would mean for our wealth, and the welfare of the world in equal measure of development, and for the future, I leave you to imagine; but, with this choice between evil and good before us, I trust that you will respect the efforts I have made on behalf of this country and humanity at large.

Dr. Leoni Levi writes:—

My friend, Mr. Seyd, in his paper on "Wealth in Relation to Imports and Exports," endeavoured to show that a serious calamity is impending on England from the fact that whilst up to 1874 the portion of national income derived from what he calls "International wealth" was greater than the excess of imports over exports, since that year the latter has far exceeded the former, or in other words, that instead of the excess of imports being paid by income, it is now being paid by trenching upon capital. I am of opinion, however, that the data upon which he bases his calculations are not very reliable. The balance of trade is not really deducible from the amount of imports and exports as valued by the Customs. There are freight and profits to be deducted, due in great portion to British

shipowners, and no end of items on both sides, which should be taken into account before any balance of indebtedness can fairly be arrived at. Generally speaking, an excess of imports over exports is a sign of prosperity, not of declension. Is it a misfortune to an individual that his income exceeds his expenditure? Surely not, and neither is it to a nation. The greater amount of excess of imports for many years past arises from the fact, that whilst England is becoming richer, other nations relatively are becoming poorer, and having no other means whereby they may pay their debt, they do so by sending hither goods and produce in great quantities. If it were not so, would not we see great exports of bullion if not of merchandise, and would not the exchanges be all against England? What precise amount is due to England, from what Mr. Seyd calls "International wealth," we have no means of knowing, and therefore it is not in our power to fix any exact relation between what is to be paid for produce, and what we are to receive on other accounts. Some of our friends are very anxious respecting this mysterious balance of trade. The phantom is raised again and again to frighten and scare the uninitiated in its secrets. For many years past the cry of distress has been very loud, and I have again and again been told that three years ago the nation was living on faith, two years ago on hope, and this year on charity, yet I find that all this while property and income paying income-tax are becoming greater and greater in value. They say that trade is ruined, but an exportation of £200,000,000 worth of produce and manufactures a year is far from indicating ruin and prostration.

Mr. Seyd's remedies are, I fear, worse than the disease. A return to protection would not increase national wealth. It would cripple production, impoverish the people, dishearten trade, and diminish national resources. That will be its pure work. And as to the adoption of a double standard, what on earth has that to do with restoring the balance of trade? The question of a single or double standard may fairly be debated in connection with coinage, though I think no debate is needed in a matter which of necessity settles itself, and that in favour of a single standard, by which all other commodities may be valued. But let us not import an irrelevant matter into a question of quite another order.

Mr. Seyd writes:—Having seen Dr. Leone Levi's letter on my paper, I venture to point to his remarks as a sample of the manner in which such matters are treated by gentlemen who were not present at the reading of the paper. Dr. Levi says that our import and export statistics are not reliable on account of freights and charges, as if I had overlooked this, and not stated distinctly, in several paragraphs of my paper, how I correct this, even criticising at length Mr. Bourne's computations, and submitting a table with these corrections. I have not predicted any dire calamity to England, but submitted figures tending to show how our wealth is affected, and Dr. Levi, instead of indulging in his off-hand criticism, might have done better if he had submitted an original statement of his own. As to the remedy, and its connection with the question of gold or silver or bi-metallic valuation, I am aware that Dr. Levi belongs to the extreme gold party described in my paper, and cannot possibly see that which to many others appears as the most important feature in both international and internal trade. Dr. Levi makes it appear that I advocate a policy of protection, whereas, in reality, I simply point out why the cry for protection is raised—to my great regret, as a free trader.

ADDITIONAL REMARKS BY MR. SEYD ON THE DISCUSSION OF HIS PAPER.

The preceding pages contain the paper and discussion reprinted from the Society of Arts *Journal*; the present remarks are additional. They prepare lectures which are, in many instances, the result of great labour and research. The readers of papers before the learned societies of London are placed in a very disadvantageous position, and are then met by criticism, of which the above discussion is an example. At the end of these discussions a few hasty minutes are given them to answer all sorts of views, which are more or less irrelevant to the question at issue. On the above occasion, few of the speakers understood the right meaning of the case of demonetisation of silver, and its effect upon the general situation. The first two speakers made allusion to my paper read before the Society two years ago, implying that as silver had since then again risen in price, I had miscalculated the prospects. At that time silver stood at 52 pence, and falling to 47 pence, the speculation thereby engendered subsequently drove the price again to 54 pence. But at the present moment (August, 1878), the price of silver has receded to 52 pence per ounce.

Now, when I read that paper, I pointed out that the further fall in the value of silver was dependent on the increase of its demonetisation, then threatened by other States, but I also stated that it would be subject to fluctuations. It was not these reactions in the price which I pointed out as determining the case; my point was the bare fact of the demonetisation, as destructive of the international use of silver, the matter of price being only a consequence. And so, although silver has fallen again to the same price it had when I read that paper two years ago, it may now also again rise and fall, the evil of the demonetisation remaining the same as far as it has gone.

On the point of "protection" every one of the speakers took a wrong view of what I stated. To some people the word "protection" is like the red cloth to a bull. I am made to appear as an advocate of protection; whereas those who read what I actually said will see that I declare myself a free-trader, and do not say that protection is a remedy, but that the demonetisation of silver is the cause of this cry of protection being raised, that, consequently, the remonetisation of silver is the remedy. The subtlety of this subject, and what I said in reference to it, escapes the attention of those who have their minds full of secondary matters. Thus Mr. Dibley finds that the Americans overwhelm us now with goods. Nobody need grudge America the growth of her industry, but it is certain that we assist in forcing protection

upon her, enable her to nurse this industry, compel her to enforce it even beyond measure, because we refuse to take her silver on a reliable basis of price. Were this not so, and could America freely send us £10 millions or more of silver per annum she would be enabled to relax both protection and excessive industry in a corresponding measure. Mr. Dibley's saying, that we in England had lived in a fool's paradise, by allowing prices to become too high, and therefore enabled foreigners to compete, is a simple piece of declamation; for the prices abroad had risen to the same degree, and have fallen in the same way as they have in England. I provided for this kind of reasoning by paragraphs on page 10. (See "Fifthly.")

My friend, Mr. Bourne, who lately read a valuable treatise on our statistics in regard to food imported, has his mind filled with "food." He mixed his up with debts owing to us by foreigners, utterly overlooking that I treat these debts as a distinct feature in our national wealth, and then says, "these foreigners now pay us in food!" Surely they would pay us in money, if we did not prefer the food as a greater necessity. It is possible that we live too luxuriously; but it is a great question whether this food is not of far greater need to us and less of a luxury than the many fine goods which we send to foreign countries. Luxurious living cannot be stopped by mere moral suasion, as Mr. Bourne thinks. Mr. Bourne has great hopes that geographers will discover new countries for us to trade with—new markets! The earth is fairly explored, and we know all the nations which wear clothes. The trading capacities of the great naked African tribes lately discovered by Livingstone and Stanley, according to the accounts, seem as yet to be confined to receiving presents of old bottles and empty meat tins; they cannot give anything in return. Gentlemen who have their minds full of this food question and geographical problem, cannot see any connection with the subject as I have put it, but that should not debar others from endeavouring to understand its importance, as Mr. Langley evidently very clearly does.

The discussion itself, however, was, on the whole, a fair proceeding in comparison with the letter written by Dr. Leone Levi. That gentleman, instead of attending the lecture and giving me an opportunity to reply to anything he might say, keeps away and writes the letter as printed, prevailing upon the editor of the *Journal* to insert it at the last moment of going to press. By a mere accident I heard of this, and as a small space remained, I was able, in the lines at the end, to insert a short reply. Dr. Leone Levi's letter requires a little more treatment here. It serves as an example of the style and spirit with which certain people endeavour to assert their personalities. What object could that gentleman have in implying that I had overlooked the freight and charges on our exports, when at the very beginning of my paper I devoted more than an entire column to this very subject, and submitted a corrected table? If Dr. Levi had read my paper, he could not have made such an unwarrantable statement.

Dr. Levi asks, "Is it a misfortune to an individual that his income exceeds his expenditure? Surely not, neither is it to a nation." The question is, does the income exceed the expenditure or *vice versâ*? Now, any one who has read my paper and refers to Table II, will find that until 1874, our income did exceed our expenditure, but that since 1875 the case has been the other way. Any man, acquainted with the first principles of accountancy, must admit that an increase of expenditure cannot have the effect of increasing wealth, and since 1874 we have thus increased our expenditure by £73 millions per annum. My object in showing this, was not that of creating any alarm, as Dr. Levi implies, but that of giving such reasonable account of the present position as it is felt to be. The allegation that foreign nations have become poorer, and send goods here to pay their debts, is entirely fallacious, the goods being a necessity to us, or otherwise we would not be compelled to take them. As far as Dr. Levi's reference to bullion is concerned, I have distinctly shown why it is that we experience no serious decline so far, and refer to page 8, column 1, for what I said of bullion in relation to this question. Dr. Levi, however, endeavours to make it appear that I had overlooked this point.

Dr. Levi then says, "We have no means of knowing the amount of what Mr. Seyd calls 'international' wealth." The means of "knowing" depend upon the extent of professional or other economical acquirements. The wealth outside of the soil of the United Kingdom owned by its capitalists and merchants, can be divided under the distinct heads as I have given them. For foreign loans we not only have complete statistics of what was issued in London and elsewhere, redeemed or converted; but inquiry at proper quarters in such foreign countries, gives a fairly reliable result as to where portions of such debts are held, and from whence the claims for dividends come. In certain speculative stocks, this is not so nearly ascertainable; but, on the great bourses of Europe, there are practical authorities in each part of the "market," who, like rival houses in manufactures and stores of goods, know well what has been done in international dealings, and where the "stock" lies. If Dr. Levi had, as I have done, prepared clear statements of all the loan statistics, and submitted them to the opinions of authorities in each branch, in London, Paris, and elsewhere, he would gain the requisite confidence in such proceedings. In colonial and railway debts the process is even more reliable, and in other (American and foreign) railways and undertakings a fair result can be arrived at. As regards estates held by Englishmen (residing in England) abroad, in Australia, India, Ceylon, the West Indies, South America, and elsewhere, inquiry in quarters well acquainted with each special colony or foreign country is available. Property of this kind held by Englishmen residing in these countries is local interest there. The shipping property of this country I have taken at between £70 to 75 millions; a number of shipowners consulted on the point say that this is too high by about £10 millions. Investigations of ships' manifests to distant ports, and freights to Continental places, compared for a number of years with the particulars of shipping statistics of each class of goods to each country, give satisfactory conclusiveness as to profits made on ships. Banking capital employed abroad can be ascertained, and, as far as capital in goods is concerned, it is generally

assumed that England gives very large credits abroad. The truth is that the former so-called "consignment of goods business" is nearly at an end, owing to the telegraph, and that most of the purchases made by foreigners are for cash or short terms. The special colonial and foreign parts where so called "long" credits, on six months' bills or longer, are still in vogue, are well known, and can be dealt with through the returns. In reality, instead of England being a creditor on goods on the whole, it is the other way; credits are more the rule in goods to, than from England. Much has been said of England being the international banker of the world. Although such is the case, it must not be supposed that this takes English capital or cash. On the contrary, the bills drawn upon England with shipping documents, or for foreign accounts, are "covered" by such foreigners before they are due, and thus rather tend to bring portions of foreign capital here for the purpose.

As I stated in my paper, I followed out a most elaborate and complete plan in regard to all the items held by England abroad, under the head of international wealth, and employed certain checks as to exchanges and other matters. Men who are familar with exchanges and arbitrations, their motives and currents for many years, of which, like in a game of chess, they know every move by heart; who have travelled far and wide and can combine their business experience with such qualifications as economists as they may seem entitled to, can make such fair statements. And although I have admitted that I may be wrong in the precise amounts as to several items, their per-centage is but small on the whole, and one sets against the other. My calculations on this whole aggregate resulted as near as possible to £1,100 millions in 1874, at the then existing prices of stocks, &c. The annual income therefrom was calculated in an equally careful manner. Now, if Dr. Leone Levi says "we have no means of knowing the amount of international wealth," he only exhibits his limitation as a professor of the science of economy, but this gives him no right to treat my statements in this off-hand way.

Of Dr. Levi's perversion of my meaning as to "protection," I have already spoken. As to his refusal to see the connection between the demonetisation of silver and commerce, it must be understood that the "what on earth this has to do with it!" is one of the customary expletives which he is prone to use to assert himself. The demonetisation of silver, or the adoption of the so-called single gold standard, involves the abolition, as money, of nearly one-half the total stock in the world, and the repudiation of future supplies of silver. The common instinct of business men as to the effect of this, on both the international and internal trade, is supported by still more decisive scientific investigation. The recognition of the practical and scientific "negative" here involved, is that of the "negative" generally in logical problems—of the elements of which Dr. Levi ought to have full conception. And although there is a school of quasi-economists, who repudiate the abstract in this matter, I maintain that these higher considerations dominate over the case; that an economist should be able to deal with them down to the closest possible analysis of the smallest technical detail.

The direct misrepresentations contained in Dr. Levi's letter, and the whole of the one-sided proceeding on his part, arise from the desire, so frequent among economists, to throw cold water upon others' best endeavours. At what cost of controversial fairness the Professor has endeavoured to do so in this case the reader may appreciate. As regards the problem of valuation, it is evident that a person in Dr. Levi's position cannot do otherwise than flatter the British public to its heart's content, by joining the extreme gold school with all the ardour that he is capable of expressing. But, in spite of this determined prejudice, there are other people in the world of wider and more comprehensive views, who begin to see the weight involved in the problem. The problem is simple and clear enough, and its main principle will be found overwhelming; all the secondary doctrinal quarrel as to standards and other questions should find its right place as subordinate matters.

IN THE PAGES FOLLOWING HEREON THE AUTHOR ADDS CERTAIN CHAPTERS RESPECTING THE PROBLEM INVOLVED, AND OTHER MATTERS CONNECTED THEREWITH.

THE PROBLEM RE-STATED.

Few people, unless they have already taken a practical part in the question, are aware of the nature of the problem. It may be useful here to give a short outline of the case, for the space at disposal here does not admit of a full statement on the literature of this question. The bimetallic views have been stated by the late Mons. Wolowski, senator of France, and numerous other authors. The writer stated these views in "Bullion and Foreign Exchanges: (Effingham Wilson, Royal Exchange, 1868;)" in "The Depreciation of Labour and Property, which would follow the Demonetisation of Silver: (Effingham Wilson, 1869;)" in "Suggestions as to the Metallic Coinage of the United States of America: (Trubner and Co., 1871;)" books published before the demonetisation by Germany took place; and lastly, in "The Fall in the Price of Silver: (H. S. King and Co., 1876,)" this being the subject of a paper read before the Society of Arts, in March, 1876, to which reference may be had.

The broad outlines of the case are these: At the end of last century, the total amount of metallic money in the world was estimated as consisting of 40 per cent. of gold, and 60 per cent. of silver. Up to that time, from time immemorial, silver and gold had served together as money. Although in the middle of last century the question of "standard," as it was then and is still falsely called had already been mooted, viz., whether one of the metals should so be used, or both together, as legal tender, no special notice was taken of the "theory" thereby initiated, and each nation followed its own course, with but slight and unimportant differences as regards the value of gold and silver between each other.

At the end of last century, France adopted the bimetallic system, fixing the proportion of gold and silver at 1 to 15½ in the coinage. In England this so-called double standard was repudiated, and in 1816 the monometallic gold system was adopted. Certain other States, however, Germany, Holland, &c., and also India, had the monometallic silver system. There were consequently three systems:—

The gold valuation.
The gold and silver valuation.
The silver valuation.

Now those who see that we, in England, use both gold and silver, may ask, what is the difference? what is this all about?

Here for the proper understanding of the case, it must be explained what is the *difference* between *full legal tender coin*, of full metallic value, and *limited tender coin*, of debased metallic value.

The difference is this:—

Legal tender coin serves for all purposes of payment, up to any amount, and such full valued coin may be either gold or silver, according to the country, or both together, whilst *limited legal tender coin* is entitled only to small restricted payments.

In England, where the *gold system* prevails, a creditor cannot be compelled to accept more than 12d. in copper coin, nor more than £2 in silver coin, for any one payment, but he is bound to accept any large amount in gold. The consequence is that the total amount of silver circulating in England is very restricted, and, being so restricted, and in order to prevent its undue exportation, it is made under value, circulating by law at a higher rate than it is really worth. Thus, with a total of £160 millions of current money, our silver coinage is but about £16 millions, or 10 per cent. More cannot be used. Whilst gold is coined freely at the Mint for everybody, silver is only coined at the option of the State, at a profit to the Exchequer; a shilling, therefore, contains but about 10d. in real silver. But this necessitates a restricted issue, for if the State were to coin one million more than is required for the momentary demand, that one million would be in surplus. Under such a system, the demand for silver coin is forcibly discouraged and weakened. Without referring here to the right or wrong involved in this system, as far as the interests of those classes are concerned who conduct their mutual intercourse chiefly by silver coin, the fact must here be noted *that under the gold valuation*, which condemns all silver coin to mere "change," *only about 10 per cent. of silver can be maintained on the total circulation.*

In France and elsewhere, where *the gold and silver system* prevails, both gold coins and the principal silver coins are full legal tender, and the smaller pieces only are "change" under restricted use. Although gold is in the majority, yet much larger quantities of silver can be used—the mass of money in circulation existing may be, for instance, 60 per cent. of full legal tender gold coin, 35 per cent. of full legal tender silver coin, and 5 per cent. only of debased "change" in silver. The full legal tender silver coins serve also as sub-divisions for the gold coins, and under such a system a free supply of silver is given to the people; so that whereas under the gold system only 10 per cent. are subsidiary silver, there are, under the combined

system, 40 per cent. of legal tender silver coin. The right or wrong under this system involves the entire controversy of what is called the *single, versus* the so-called *double valuation*, or the *monometallic, versus* the *bimetallic* system. The *bimetallic* party, to which the writer belongs, say that the *monometallists* are utterly wrong, and that they found their theories upon insufficient conceptions as to the real character of money, or so-called standard of value. In the paper read before the Society of Arts, hints are given as to the nature of this theoretical dispute, and the inquirer must enter into the controversy of the question, or decide the same for himself. The object of this explanation of the practical difference between the single gold *versus* the bimetallic system, is now only that of pointing out the above proportions of silver in each.

In India and other States (as up to 1872 in Germany, &c.,) *the silver system prevails, i.e.*, silver coin alone is full legal tender value; gold was either so-called commercial money, or, as in India, is not in circulation. The great bulk of metallic money is in silver, and little under-valued silver coin exists. In Germany, only about five per cent. of the smallest silver coins were debased. The circulation of metallic money consisted of about 80 per cent. full valued legal tender silver pieces, about 5 per cent. change, and about 15 per cent. all sorts of gold coins. In India, no gold coin at all is practically current.

The three groups of valuation, *viz.*:—*

The gold valuation, with, say, 90 per cent. of gold and notes and 10 per cent. of silver.
The bimetallic system, with, say, 60 per cent. of gold and 40 per cent. of silver.
The silver valuation, with, say, 15 per cent. of gold and 85 per cent. of silver;

divided between them the entire stock of gold and silver existing in 1875, amounting to

£1,400 millions,
of which

£750 millions in gold, and £650 millions in silver.

The £750 millions of gold are full legal tender coin; of the £650 millions of silver, £530 millions are legal tender, and £120 millions "change," or debased coin. The total stock, then, is:—

£750 millions gold coin full legal tender.
£530 millions silver coin full legal tender.
£120 millions silver change.
£1,400 millions.

Now, that which the advocates of the gold system wish to do in order to satisfy their theory, is to *abolish* the use of silver as legal tender money, that gold only should serve as such, and that silver should only serve as "change." It may now be suggested: *Why cannot the whole stock of silver serve as change?* Silver coins are of lower denomination than gold, and are naturally its sub-divisions, why can they not continue to serve?

This cannot be done! The so-called change money, consisting of silver pieces of low denomination, can only be used to a very limited amount as compared with so-called full legal tender coin. It is immaterial whether the full legal tender coin is gold or silver, excepting that, in the latter case, the proportion of the subsidiary coin is less than under gold.

Under the *gold valuation*, the highest limit of subsidiary silver coin (all our English silver coin being of that character) is about ten per cent. of the total circulation, as stated above. Our gold coin is coined freely for all who bring gold to the Mint, and can be freely passed to any amount for all sums above £2 sterling, as so-called full tender coin, and the pound sterling, when melted down again, contains exactly 20s. worth in gold. The supply is, therefore, practically unlimited, and the stock of gold coin attains the full level possible. With our silver coin, the case is quite different. It is issued only at the option of the State; it cannot serve for payments beyond the amount of £2, and what is more important still, it is issued at a value higher than what it is actually worth in silver. A shilling-piece, as compared to the real value of the five-franc piece, is debased by about 8 per cent., the Government making a profit in the difference. And this debasement of the pieces on the other hand, makes the export of such coin impossible. Few people are aware of our silver coin having this debased character, but such is the nature of all coin of that kind. For the purpose of enforcing the gold valuation, it is absolutely necessary that no creditor should be compelled to take more than £2 in such "change," and this necessarily limits the total amount of silver that can be employed in the whole community. Any creditor may say; "Oh I readily take silver to any amount if a man is unable to pay me in gold!" No doubt he would do so in an isolated case rather than receive no money, but in the regular course of business, under the restriction of £2, the whole community cannot use more than the total proportion indicated.

Such subsidiary coinage or "tokens" are admissible within certain limits, and this rests on clearly defined technical reasons. Thus copper coin can be made so that only about two-fifths are of metallic copper value, but, as it is restricted in tender to 12 pence, a private coiner of the same pieces would be unable to pass into circulation a sufficient quantity to pay him for the trouble and risk of detection. The same applies to the smaller silver coins of a few pence; and in most countries where the silver valuation prevails, and silver coins of higher denominations are legal tender and of full value, a certain admissible proportion of smaller silver coins is thus treated as "change" or tokens. *But in the case of the gold valuation, the entire silver coinage is condemned to this subsidiary state*, in pieces of value which elsewhere are full legal tender and of full value, and as stated before, under such a system the utmost amount of silver coinage that can be used is about 10 per cent. of the total circulation, or equal to about 12½ per cent. stock of gold coin. More than this proportion, even in a rich country like England, cannot be used. If the Government, for the sake of the profit which it can make, were to issue, say, 20 per cent., or even one million more than the £16 millions now in use, the surplus would lie idle in the hands of bankers and others, and cause great loss of interest to them. They would be unable, under the restricted tender, to pay it away, even if, in other districts, a scarcity

* The proportion of copper money in the total circulation of a country does not exceed two per cent. on the whole, and, in order to simplify the matter here, this is supposed to be included in the small change.

of silver coin might manifest itself. The main characteristic of the gold valuation consists in repressing silver in this way; it cannot exist without doing so, and without producing these results on the use of silver coin. A compromise is utterly impossible, and silver coin thus becomes tied down on all sides, both as regards its supply and disposal.

It is necessary to keep in view this patent and absolute fact, for few of the inquirers into this matter of the valuation are aware of this feature. Not a few economists wantonly neglect it, and bring out all sorts of extraordinary schemes for enlarging the use of these subsidiary coins, even to the impossibility of declaring an entire full legal tender silver coinage capable of being converted into such tokens of an artificial value. No doubt can be entertained that this limited use of silver was not anticipated by our English statesmen at the beginning of this century, since then so definitely ascertained. When, in 1816, the gold valuation was introduced into England, it was, of course, surmised that silver under the limited tender would not in future be used as copiously as before. Still, nobody anticipated what would follow; and, in 1816, the coinage of silver commenced vigorously, until, in 1821, it had reached £8 millions. A sudden outcry was then raised by bankers and others as to the great quantities of silver found useless, under the restricted tender, and the coinage had suddenly to be stopped for several years. This was England's special and surprising experience. The population of the United Kingdom was then about 16 millions. In 1829 the coinage of silver was resumed at a moderate rate and kept pace with the increase of population. Of the total coined to this day, a very large proportion are re-coinages of worn silver pieces, and at this moment the total amount of silver current is about £16 millions, with a population of 33 millions, or about 10s. per head. Since then Germany, in taking the gold valuation, has fixed upon 10s. subsidiary silver coin per head, taking the English experience as a guide. France, holding gold and silver as full legal tender, and applying the subsidiary principle to silver coins below five francs in value, adopted eight francs, or about 6s. 8d. a head, but has not coined so much. In the silver tender States, as stated before, the proportion was still lower. Altogether it will be readily conceived that the capacity of a country to absorb subsidiary coinage depends upon the number of the population and ruling prices, as well as the amount of actual full legal tender coin. In civilised countries like England, France, Germany, the proportion per head of about 10s. seems to be the reachable level; in poorer countries, India for instance, it would be much less. India would require the same number of pieces of subsidiary coin, but of much smaller value each, and the total value aggregate would be as much less as the total currency and daily wages are less than here. I state these facts in order to impress again the rule that subsidiary coinage cannot possibly reach a level higher than 12½ per cent. on the amount of gold coin, when gold is in full force, under any circumstances whatever.

Now, if, without reference to any theory or dispute as to principles of valuation, we apply this undoubted fact of the limited use of silver under the gold valuation to that which the advocates of this system for the world at large desire to do, we should find that of the

£750 millions of gold coin full legal tender,
£530 millions of silver coin full legal tender,
£120 millions of silver subsidiary coin,

together £1,400 millions of metallic money,

the legal tender silver of £530 millions would have to be given up. According to the law of the gold valuation, only 12½ per cent., or £90 millions, of silver coin could be used in future alongside of the £750 millions of gold; but in order to make every allowance, assuming that nevertheless 20 per cent. could be so used, the future stock of metallic money in the world would consist of

£750 millions of gold coin of full legal tender,
and £150 millions of subsidiary silver coin,

together £900 millions, instead of the former £1,400 millions.

The questions which now arise are:—

Firstly. What is to be done with the £500 millions of silver thus to be demonetised, and what will be the effect of this demonetisation upon the value of silver?

Secondly. What effect will the declining value of silver have upon the subsidiary silver coinage remaining?

Thirdly. What will be the effect of this diminution of the stock of metallic money in the world from £1,400 millions to £900 millions upon the national wealth of States, and upon the international trade of the world?

Fourthly. What is there to replace the silver so demonetised, or to compensate for its legal abolishment?

Fifthly. How are the States now holding silver chiefly, able to obtain gold when silver is demonetised and cannot be longer exchanged for gold?

The £500 millions (or more or less) of silver thus to be demonetised would have to be made into spoons, forks, utensils, and objects of art. The consumption for this purpose in Great Britain is but about £200,000 per annum at this time. Now if silver fell, say to one-half of the present value, the consumption might double, and, reckoning the total use of silver all over the world at £4 millions per annum, it would take over a century before this stock were so used up. The wear and tear of silver coin is only one-tenth per cent. per annum. It may said, that if silver becomes cheaper, the consumption for household purposes, ornaments, and arts will become much enhanced; but if silver even fell to one half its normal price, it is unlikely that such consumption would be doubled; and even if this consumption were doubled and trebled, the present immense stock would be in vast excess. But, besides this present stock, there is the annual fresh supply from silver mines, amounting to from £14 to £16 millions per annum, which could not be used as money, and would swell the stock. It is said that if silver fell in value it would no longer pay to mine for it. This is untrue, and in the rich

silver deposits in North West America, the cost of mining is one shilling per ounce, or even nothing, because it is found with gold. Such suggestion, however, viz.: that more silver would be used if it fell in value, or that if silver fell, mining would cease, already pre-supposes the enormous loss and destruction of the value of silver. Not only the present stock of silver money would decline in value, and be rendered almost worthless, but the new supplies would be in the same predicament, and, finally, all the stock of silver held by way of household utensils, ornaments, &c., which people hold precious, would be wantonly depreciated. It would be unnecessary to predict to what extent silver would fall if the advocates of the gold valuation thus had their way. It has been suggested that the recent moderate fall in the value of silver was due to the discovery of new and rich mines in America, but it is now recognised that this fall is due to nothing else than the partial demonetisation of silver in Germany, of which more will be said later on.

The effect of this enforced decline in the value of silver on the subsidiary silver coinage still possible under the gold valuation, would be that of rendering its maintenance almost impossible. If the gold valuation now condemns silver to so narrow a limit of use, and if silver here in England, for instance, is kept near its artificial mint value, only because other nations use it as legal tender, it is obvious that if this support disappears and silver falls lower, that the English shilling, hitherto worth tenpence in metallic worth, might become of much less value, say down to eightpence and sixpence. At that rate, private coiners can make a large profit without the least risk of detection, for the stamps to impress standard metal disks can be carried in the pocket, and used at every little smithy. It is one of the most extraordinary features of the case that the advocates of the gold valuation, who ought to know that the value of our English silver coin depends chiefly upon the value of silver, and that the moderate per-centage of token value added to it makes the currency of the coin possible because this artificial value is so moderate, overlook this point, or fail to understand so plain and obvious a matter. Those who can reflect upon this subject may be left to their own conclusions as to the foolish and wanton proceeding involved.

But the most serious of all the effects produced by the destruction of £500 millions of current money concerns the international trade of the world. Whereas the business of the world has hitherto been conducted with £1,400 millions of metallic money, it will have to be conducted in future with only £750 millions of gold. All the international business hitherto conducted in silver, viz., in which the balances of trade were settled by silver, must undergo a modification which, in reality, is tantamount to its proportionate cessation. This is the great point which the bimetallic school has always maintained and predicted beforehand. The foregoing paper, read before the Society of Arts, fully treats of the subject, and shows that although the demonetisation of silver has so far only been practically carried out by Germany, it has already produced the extraordinary state of depressed commerce and prosperity which we are now witnessing. The commonest intellect might easily appreciate that, although in England, since 1816, we did not use silver ourselves as legal tender money, yet that the quantities of silver arriving here for sale were used by us in our trade with Germany and other European States. Between countries using silver as legal tender the settlement of balances of trade is still more dependent upon that material. Is it wonderful then that international trade all over the world has already declined, and may further decline to an indefinite extent if the demonetisation policy is not redressed? This immensely important subject of the present time, which involves the decline of all prices, and with it the threatening rupture of all contracts of long duration in matters of property subject to price, and the immediate upset of the current aggregate of business, the signs of which we are already so strongly witnessing, owes its origin to nothing else than this cause.

Among the many considerations here arising, the following might forcibly appeal to those who pay attention to this subject. In 1848, when the Californian gold mines were first discovered, the metallic currency of the world was estimated to amount to £1,650 millions, of which £600 millions were in silver. Since then, through the Californian and Australian mines, £350 millions in gold have been added. What were the consequences of this addition to the metallic currency of the world? All those who have been active and watchful factors of the common wealth during this time must admit that this extension of the metallic means of intercourse contributed immensely to the prosperity of the world. Our own international trade increased by no less than 400 per cent., and the internal commerce and well-being corresponded to a great extent to this increase.

That inventions of all kinds assisted in this state of prosperity is evident, but many of these inventions existed before 1848. There can be no doubt that the increased stock of metallic money gave the impulse for large public works, increased commerce, and the spirit of invention combined therewith. Now, if this result is due, or partly due at least, to an addition of about 55 per cent. of precious metals to the previous stock, what must be the *per contra* effect if, according to the policy of demonetisation of silver, such stock of money is to be reduced to a level equal to a loss of 55 per cent., viz., £900 millions remaining from £1,400 millions? What is still more serious is this—the gold before mentioned accumulated during a period of 30 years in a gradual manner, whilst the demonetisation of silver is to be brought about by a *human* law, whose effect is practically instantaneous. Whatever progress the world has made, and however satisfactory this may have been on the whole, national as well as individual life, are still subject to the common struggle for existence. As society is now constituted, in regard to what may be called financial matters, it has reached the level founded on the 1,400 millions of combined metallic money. All so-called contracts and dealings of long date, or in immediate transaction, are founded upon this basis; and prices, as well as quantities of transactions possible, rest upon it. It follows that the forcible reduction of this basis to 900 millions involves a prospect of ruin in which all classes must share, and in which untold misery will fall upon those who live by their daily labour. Nobody

can deny that it is the duty of an economist to submit figures and reflections like these to the serious consideration of all thinking men, for they will see that, if but a portion of this prospect is realised, or, so to speak, a per-centage on the whole case of proportions, it must have a dire influence on the welfare of all nations.

There are people ready to suggest that we should replace this demonetised silver in some more or less speculative fashion. Silly proposals, such as that of calling in all the gold coin and reissuing it in smaller pieces, as of the same value as before, so as to reproduce the previous number of pieces of money existing, or notions to cause the sovereign to be "legally declared worth 30 shillings," we can dismiss as rubbish. Some suggest more bank notes. Now, if bank notes had any beneficial power of their own, we might use that power now instead of waiting for the demonetisation of silver. Such a suggestion as to bank notes resembles the pulling down of a solid building and the substitution of a mere plan on paper for it. There are other people who think that the new mines will produce sufficient gold to compensate for the difference. In the first place, the produce of the California and Australian gold mines has now fallen off to an extent barely sufficient to compensate for the increase of populations, and the use of gold in the arts. And even if new rich mines were discovered, which, with our present great knowledge of all the accessible portions of the earth, is not likely, it would take many years to accumulate the equivalent to the £500 millions of silver to be demonetised by the swoop of the law, as involved in the gold valuation. In all cases, the demonetisation of £500 millions of silver, or any portion of it, is an absolute negative, a wanton, reckless and criminal proceeding, for which there is no compensation possible, whilst it must carry with it the proportion of ruin thereby implied.

It will readily be perceived that the demand to demonetise silver made upon the States of the silver valuation, and to change silver for gold, is one of the most extraordinary features in the matter. The great staple of their legal tender currency is silver, as that of the gold valuing States is gold. Now, if they could exchange their silver for gold; if, for instance, we in England were willing to take part of their silver and give them gold instead, there would be a chance of their succeeding in doing so. Not only do we in England refuse to take silver, but it is actually demanded that all nations should first demonetise their silver, rendering it useless for any purpose of exchange against gold, and then, nevertheless, take to gold. Stronger evidence of the reckless impolicy of our gold advocates cannot possibly be adduced. Their theory of objection to the bimetallic system rests upon the possibility of variations of the relative value of gold and silver. If they will not believe that the demonetisation of silver will cause so great a fall in the value of that metal, as would also be the case if gold should be demonetised by law, their theory of fluctuation is not tenable, for if, under such circumstances, silver maintained its value, nevertheless, it would surely be as firm a factor, alongside of gold, as it has hitherto been. But, if silver so declines, it is truly a most unreasonable thing to ask first for the destruction of its value as money, and then to demand that it should be exchanged for gold. The hotbed of gold valuation is to be found, as a matter of course, amongst the advocates of that system in England. It is true, Germany has imitated this system, exchanging about £80 millions of silver for gold; but it must be borne in mind that Germany received no less than £200 millions of war indemnity from France, and, therefore, was able to do so easily. Moreover, Germany had still a market for its silver, and though it sold silver at a loss, yet all the other silver valuing States, India principally, absorbed the greater part of the silver of Germany. In France there are some gold partisans who wish to drive that country into the same course, and France being very rich, and the greater part of her currency being already gold, might possibly bear the great loss on the £80 millions of legal tender silver she now holds; but the French gold advocates are not likely to enforce their views. It is true in Belgium, and other parts of Europe, there are babblers, who ape their English and French colleagues and use the same commonplace doctrines to which their shortsightedness and want of grasp of the whole question confines them. Nevertheless, the most singular stand is that taken by our own advocates of universal gold valuation. Whatever the real or supposed advantages of the gold valuation may be to England, she has obtained her comparatively greater stock solely because the majority of other nations took silver in preference. To compel other nations to demonetise silver, naturally destroys this supposed advantage, and would force other nations to make efforts to deprive her of part of her gold. The truth is, that our English gold partisans are actuated by a strong prejudice in favour of our national legislation, believing that everything which England has done in financial and other matters must be superior to the doings of other nations, and that other nations should copy England for the purpose of admitting English superiority in this respect. If their motives were more elevated than this, these economists ought to provide for a general scheme by which they could assist other nations to obtain gold, *i.e.*, part of a stock of gold in lieu of the demonetised silver. But that is far from their intention and from the bounds of possibility. The only way in which the silver States, after demonetising silver, could obtain gold from us and others, would be by importing less of our goods, and exporting more of their produce to us. This means the destruction of English superiority in commerce and industry, for whatever may be said as regards equivalents in exchange, it is perfectly obvious that any country exporting less and importing more, however rich it may be, must become poorer. The silver States would, however, have no other means of setting themselves right than by enforcing this policy, and inasmuch as such increased export power on their part cannot be brought about *ad libitum*, in a day, or a year, they would be compelled to adopt the system of "protection" to enforce this effect. What we are witnessing now in this direction are only the faint preparatory signs of this prospect.

There is a number of people who, as regards this question of the demonetisation of silver, rely upon the common-place saying, "that the rules of trade, or the laws of supply and demand, will

set these matters right." There is no doubt that under ordinary circumstances, and under the rules of non-legal interference, the great system of commerce would find its easy level to the benefit of the human family. But the circumstances here are not of this ordinary character. They involve sums, proportions, contradictions, and impossibilities, the nature of which may be inferred from the figures and the statements given. The position here is not under the command of freedom of legislation; on the contrary, it is subjected to the inauguration of a human law, which in defiance of the principles of freedom, expressly demands the suppression of one of the most important of the two factors upon which the monetary system has from time immemorial been founded.

That, in view of all these facts, the principal professors of monetary science in England should be so strongly prejudicial against silver being used by other nations is surely a sign of ultra-national tendencies. More especially so, because the principal silver valuing State is England's great dependancy, India, and in the next following portions of this treatise, the manner in which some of these economists propose to deal with this matter will be exposed.

The problem, in its principal outlines, has now been stated, and the hitherto uninitiated reader may now ask how all this has come about? The answer is, that practically it was not until the year 1872 that the situation was changed. The change alluded to concerns, so far, only one country, namely, Germany. As stated before, discussions on the so-called standards of valuation had taken place last century, and again in 1852 and 1867, but nothing practical had come of them. Since France at the end of last century, and England in 1816, had settled their systems, the nations of the world had divided themselves into the three great systems described before, viz.:—

The gold valuation,
The bi-metallic valuation,
The siver valuation,

and the use of gold and silver was divided between them in such a way, that on the whole, there was an equal demand for both.

As late as 1872, then, there existed an equilibrium between the three groups, and the statement now following gives the names and the numbers of populations of each of the States belonging to them:—

In giving these nations, some are marked with an (*) denoting that the system of valuation is not complete; others with an (†), showing that there is no effective valuation, the country being under "depreciated" paper issue, and neither gold nor silver being in use. Only those printed in capital letters had an effective metal system.*

UNDER GOLD VALUATION.

Country.	Population.
ENGLAND	32,000,000
*Portugal	4,000,000
*Turkey	27,000,000
*Persia	4,400,000
AUSTRALIA	1,350,000
Cape and Canada	4,370,000
*Brazils	10,200,000
*Argentine	1,800,000
Total populations under gold valuation	85,720,000

UNDER GOLD AND SILVER VALUATION.

Countries.	Population.
FRANCE	36,200,000
BELGIUM	5,100,000
SWITZERLAND	2,700,000
*Italy	26,800,000
Spain	16,400,000
*Greece	1,400,000
*Roumania	4,000,000
*United States	38,600,000
Columbia	2,900,000
Venezuela	1,600,000
*Chili	1,900,000
†Uruguay	400,000
Paraguay	1,200,000
Total populations under bimetallic valuation	139,200,000

UNDER SILVER VALUATION.

Countries.	Population.
GERMANY	41,100,000
HOLLAND	3,700,000
DENMARK	1,800,000
SWEDEN	4,300,000
NORWAY	1,700,000
*Austria	36,000,000
*Russia	76,000,000
Egypt	4,500,000
MEXICO	9,200,000
WEST INDIES	600,000
Central America	2,600,000
Bolivia	1,800,000
Ecuador	1,300,000
Peru	3,400,000
JAPAN	33,000,000
CHINA	425,000,000
INDIA	195,000,000
Total populations under silver valuation	841,000,000

The three groups, with their respective total numbers of populations, held between them the quantities of gold and silver in full legal tender money, and subsidiary silver coin, as stated in the following table. Some of the imperfect gold valuation States hold some full legal tender silver coin, nevertheless; and, among the silver States, a certain proportion of gold coin is also in use.

DIVISION OF THE TOTAL STOCK OF METALLIC MONEY AMONG THE THREE SYSTEMS OF VALUATION.

Under Systems.	Gold Legal Tender.	Silver Legal Tender.	Silver Subsidiary.
	£	£	£
Gold valuation	210,000,000	14,000,000	27,000,000
Bimetallic valuation	340,000,000	130,000,000	35,000,000
Silver valuation	132,000,000	386,000,000	58,000,000
Gold in question	68,000,000	..	..
Total	750,000,000	530,000,000	120,000,000

Such was the state of matters in 1872.

* The African and other savage nations are not included in this. The reasons are obvious. They have no money, and no clothing fitted with pockets to put money into. If we were to present them with clothing and money even gratis, they would probably try to exchange both with us for rum. This satirical note must be excused, because among the so-called economists many are foolish enough to calculate upon these naked savages for the absorption of the demonetised silver.

This distribution of gold and silver among the nations had settled itself in a perfectly natural manner, according to the degrees of wealth and requirements of the populations. Each of the three systems was, in the main, successful, just because one served as a counterpart to the other, the bimetallic system forming the mediator between the separate gold and silver systems. Differences in the exchanges between gold and silver, causing the rise or the fall of either metal in different countries, had manifested itself. One country dealing, say, in gold, owing money to another dealing in silver, had to purchase the latter from the bimetallic countries; but, on the whole, these differences or premiums were within the limit of the variations of the exchanges which would have taken place even if the two countries had both dealt in the same metal. The gold advocates, who make so much of these occasional variations between silver and gold, as a reason for what they call the adoption of a single standard, utterly misunderstand that the strength of these variations would have been precisely the same as regards one metal, for this strength depends solely upon the force of the balances of trade.

The bimetallic party, although desirous that, in lieu of these three groups, all nations should join in a universal bimetallic system, nevertheless recognised that, so far, these three groups, in their joint aggregate, were tantamount to the practical existence, by way of equilibrium, of bimetallic system. They held, however, that this equilibrium might be lost if one of the important States made an essential change. When, in 1867 and 1868, certain French economists urged the adoption of the gold valuation by France, the bimetallists predicted that this would cause an immediate disturbance of the equilibrium, and cause the consequences which we now witness. France, however, did not make any change. *Germany alone, since* 1872, *has made a change.* It is true that Sweden, Denmark, and Norway have also resolved to adopt the gold valuation, but they have done nothing practical in this direction. Germany alone, also, has had the extraordinary means of making this change, by the receipt of £200 millions from France. Germany has now acquired about £80 millions sterling in gold, and sold a considerable quantity of silver. The success of the gold-valuation party beyond England is, therefore, so far confined to Germany, and from the list of the three groups of valuation Germany must now be transferred from that of the silver-valuation group to that of the gold-valuation group.

This fact must now be borne in mind:—Of the above grouping of 38 States, *Germany only has made an effective change*, and what the result of this single defection has been upon the equilibrium between gold and silver, and the trade and prosperity of the world, we are now experiencing.

The depreciation of silver which has taken place within the last three years is, therefore, solely due to this apparently unimportant cause. Before the Parliamentary Committee on silver, in 1876, I stated among other things:—

"The true cause of the depreciation in the value of silver is its demonetisation by law. England took the initiative in 1816, but, as long as Germany maintained silver, the equilibrium was maintained. Germany having followed England's example, that equilibrium is lost."

And the committee in its final conclusions practically admitted that the continued demonetisation of silver would lead to an indefinite fall in the price of that metal.

If, therefore, the trade and prosperity of the world, and with it our own business, already suffer from the consequence of this act, let those capable of appreciating the matters here laid before them glance at the list of the three groups submitted, and ask themselves what would be the consequences, if, firstly the bimetallic States, and secondly, the silver States were compelled to discard their silver and to take to gold. To anyone of common sense the task will appear impossible. Apart from the uncalled for and wanton loss of silver, the question of how they are to obtain gold arises. To leave this to the rules of supply and demand is sheer nonsense. Rather than to submit the world to such a state of utter confusion and ruin, in which, of course, the wealthy nations would share, it is surely better that sober and thinking men should make endeavours to redress the evil already done, and to concert means of preventing the further dire mischief. For the most important fact involved in the present position is that, although Germany alone has upset this equilibrium, thereby causing the great decline in the value of silver, there is scarcely a doubt that unless the price of silver is recovered and fully affirmed, other nations will be compelled to discard silver, little as they may desire it. According to the bimetallic system, the price of silver per ounce standard in England ought to be about 60$\frac{2}{3}$ pence, and until 1872, the price ranged at figures of which this was an average. But since 1872 this price has declined, and after various ups and downs it is at the present moment (July, 1878) at 52$\frac{1}{2}$ pence per ounce. Very likely, according to the spasmodic demands from India, American contingencies, and other causes, this price may again become higher or it may become lower as the case may be. It is this uncertainty as to the price, which in any case tends to a permanent decline from the above-mentioned bimetallic rate, on account of which the silver dealing States as well as the bimetallic States themselves are placed in difficulty. They are compelled, therefore, either to accept supplies of cheap silver, by which the whole of their existing currency will become depreciated, or to guard against undue importation of silver by special suspension of their mint laws. This must necessarily aggravate the mutual tendency to dispose of silver, to create sellers and to diminish the buyers. As far as the matter has now gone, all these nations are in a state of suspension as regards their decisions upon this point. The depressed state of business is owing to the fear of the coming abyss on the one hand and the possibility of a recovery on the other. The abyss is that to which the gold valuation party would drive us; the recovery depends upon the sound sense of statesmen, or influential authorities willing to undertake a reasonable course of inquiry as regards the validity of bimetallism, or a fair compromise on that basis.

It is to be hoped that the information here given will suffice to cause this more thoughtful inquiry. Connected with the general subject are numerous

matters which might be referred to as forming part of the general literature of the subject, but the space here does not admit of their elucidation. To Englishmen, the problem of reconciling the English gold valuation with the Indian silver valuation is one of a special, national interest. In the succeeding chapters two proposals, submitted by two of the principal economists, will be criticised. At the end of this treatise, the author will bring forward his own proposal as to the settlement of this matter, and the redressing and pacification of the whole question.

FALLACIOUS PROPOSALS MADE BY ANGLO-INDIAN ECONOMISTS.

Although the whole of this question is an international one, concerning all nations, the Indian valuation question being only a part of the whole, yet our Anglo-Indian financial writers seem to concentrate their attention on England and India alone, and to ignore other nations in a somewhat contemptuous way. This may seem patriotic; in reality, it is narrow-minded and extremely unwise. It is to be hoped that our enlightened statesmen will take a more cosmopolitan view. The currency of India may be said to consist of about £180 millions of legal tender silver coin. Although gold mohurs are coined in small quantities, and sovereigns have been imported, yet these do not circulate. India is, *par excellence*, the very type of a silver-valuing State, with which the ardent advocates of the gold valuation will have to deal. In India itself no special proposal seems to have been made; the task appears to have been undertaken by the two gentlemen, whose schemes will here be criticised.

Colonel Smith's Proposal.

Among the earnest, but exclusive, Anglo-Indian authorities of this kind, Col. Smith, whose paper on the subject appears in the *Journal of the Society of Arts*, of 12th April, 1878, and who has issued several pamphlets, occupies the front rank. The chief principle of Col. Smith's proposals may be summed up in a short sentence: "*Stop the coinage of silver rupees in India; thereupon the rupee will become scarce, and will rise to* 2s. *in value, or one-tenth of* £1." The rupee, according to the international or bimetallic valuation, is worth 1s. 10$\frac{5}{8}$d., according to the present price of silver it is only 1s. 8d. Now, according to Col. Smith, all we have to do is to cease the coining of more, when it will become scarce, when the "exchange with England" will "rise," so that the rupee becomes worth 2s. Then we declare the £1 legal tender —there is already a good deal of gold in India, by way of jewellery and hoarding, and more gold will come somehow. Then, although this would seem to give a kind of bimetallic system, yet it would not be so, because the silver rupees would then serve as token or subsidiary coinage; and, presto! the thing would be done, India would have the gold valuation!

The man who killed the goose with the golden eggs no doubt rendered such eggs "scarce" for the future, but nobody ever heard that the old ones "rose in value" thereby. Substitute "silver" for gold, and "ceasing to coin" for the death of the goose, and you have Colonel Smith's theory. Is it not wonderful that the world has hitherto overlooked simple suggestions like this, by which such gigantic matters can be set right? See how much "value" might have been created in bygone as well as present times if we had only applied these principles!

A more deceptive proposal than this, made so earnestly by Colonel Smith, can hardly be conceived. The crude idea as to "scarcity," taught by our old economists, is its foundation, as other lifeless and wrongly applied doctrines are current among the gold school. That in real life "scarcity," instead of increasing value, often has the effect of destroying it, nevertheless comes within the scope of conception and experience of inquirers into matters like this. In this case it is especially exemplified. If the Indian Government decreed the cessation of the coinage of silver, the rupee, instead of rising to 2s., would not even maintain its present value. The cessation of the coinage would be like cutting the root from a tree, whose sap and leaves would be sure to dry, and this simile is complete in all respects. India has acquired her silver through its international trade; its import is the fruit of the latter; its continuance at the ports and mints the main condition for upholding the value of the present stock. If the Government refused to coin silver in future, the connection would at once be severed, and in the face of the express condition that the State will force some-

thing else upon the people, *i.e.*, gold, Col. Smith, nevertheless, assumes that the value of the rupee will rise. A greater confusion and contradiction between cause and effect and remedy cannot be imagined.

Col. Smith says, further, that India already possesses a stock of gold, having, during the last 38 year, absorbed £98 millions of gold, or £2½ millions per annum, and thinks that this would do to commence with. Now, every person acquainted with India knows that this gold serves no other purpose than that of jewellery; and even coins, including sovereigns, are used exclusively for personal adornment. They are pledged to these uses even with more tenacity than other personal belongings. History relates that patriotic ladies have sometimes sacrificed their jewellery and their locks to the king, but the amounts involved have been very small. Are Indian men and women likely to display stronger patriotism on behalf of this currency matter; or are they likely to adhere all the closer to their hoardings? Although there are intelligent natives who have pointed out this truth, and warned us against our relying upon such jewellery, yet that has no effect upon Col. Smith. It would accordingly appear that any economist who relies upon this sort of thing, deceives himself and others, and that such proceeding in so serious a matter, is scarcely worthy of the name of financial economy. Besides calculating on "jewellery," Colonel Smith seems to think that gold will be "imported" somehow! How this can be done when the silver rupee is "made worth" 2s. he does not explain.

A very remarkable part of Colonel Smith's proposal, however, is that when the coinage of silver has ceased, and the rupee has (according to his idea) acquired the value of two shillings, then the present Indian silver coinage shall become "token," or "subsidiary" coinage. The present full legal tender silver currency of India falls little short of £180 millions.* Those who have understood the remarks made before, will see that it is a simple monstrosity to assume that this amount could serve as token currency, with much gold, little gold, or no gold at all. The utmost possible amount of token coinage of this kind which India might absorb is £30 millions. I shall say more on this subject of Indian subsidiary coinage on subsequently criticising Mr. Hendriks' proposal; in the meanwhile it appears that Colonel Smith does not at once wish this mass of coin to fall under the same restriction of limited tender, but that it should continue to be full tender at 2s. a rupee, or one-tenth of the sovereign. It is to have a kind of double character, to be both full tender and subsidiary coin. In reality this would amount to a bimetallic system, with this difference, that whereas the latter proportion between gold and silver is 1 to 15½, that of India would be 1 to 14⅔. That under such circumstances, apart from any further decline in the price of silver, gold can never come to India, must be evident to all.

Colonel Smith, like so many others, who cannot see the "international" value of the precious metals, relies upon the fact that "rupees are current," and are "taken" by the natives, in support of his suggestion that rupees could thus continue to circulate as tokens. Setting aside his fanciful proposal as to the rupee acquiring the value of 2s., it must be evident to all that the real value of the rupee to the East Indians is that for which it will exchange with commodities. Colonel Smith does not quite forget this, and he is bound to admit that, at the Indian shipping ports, at the exchange on England at 1s. 8d., for instance, the value of commodities has accordingly risen by 15 and more per cent., and the rupee has so declined. But, says he, this is not yet the case in the interior. He can only mean the far interior, for in the districts within fair trading distance, the scale of prices already corresponds to shipping ports. Now, can anyone pretending to know anything of commerce, for a moment question that the area of the basis of prices at the shipping ports will gradually extend even into the farthest interior? That prices in the far interior are often below the shipping standard occurs, in certain descriptions of commodities and provisions, even in England, but the general advance is mathematically certain. The case of the tree with its root cut off, is also here the appropriate simile, the outer branches and their leaves may remain green for a while, but they are sure to dry in the end. Therefore, if Colonel Smith relies upon the fact that prices in the far interior of India have not yet been sensibly affected, as one of the grounds upon which he builds his scheme he deliberately commits himself to a fallacy, and nothing but a kind of unyielding pertinacity on behalf of his invention can account for such a proceeding.

With theories of financial economy based upon these notions of "scarcity" of legal tender coin, and such utterly contradictory ideas as to immense amount of token coinage, argument seems utterly idle. It is interesting, however, to notice the spirit of dogmatic assertiveness which, under such hallucinations, Colonel Smith displays, and which, by way of example, culminates in such sayings as "A gold currency is not essential to the existence of a gold standard." This is like putting green spectacles on the cow to make her believe that wood shavings are grass! England alone has as yet had an effective gold valuation, and that of Germany is nearly complete. The Scandinavian Union have recently decreed the gold valuation, but remain as yet upon the old, or one resembling the bimetallic system; all the other gold States are either bankrupt or have a paper valuation under which the metallic foundation is doubtful as to either metal. And no country can discharge its international obligations, or acquire the payment of its international claims, unless the mass of its currency is thus quite effective. A correspondence between the prices of commodities, for import or export, between the nation and the outward world is possible only upon this condition of effectiveness; but what this means as regards the commercial and social condition of a country, the relative state of

* It was recently mentioned in Parliament (August 5th, 1878), that the rupee circulation amounted to but £109 millions. This was done to favour such suggestions as made by Colonel Smith. The minimum of rupees in India, after making all allowance for melting into "bar ries," is £165 millions. European residents occasionally employ native silversmiths to make ornaments of rupees, but the natives no use silver and silver bars, bought in the bazaars. Including coins, and also dollars and bars, serving as "money," the £180 millions in India and its dependencies gives a moderate estimate. Some authorities place the amount of silver in India, in both money and bangles, at about £400 millions, and the total of silver imported to India in the present century much exceeds this sum.

equilibrium in all that constitutes local and international intercourse, must necessarily be a closed book to gentlemen of Colonel Smith's personal views. Unaware that in this problem of a change in the valuation, the difficulty always remains the same simple one, whether a month or ten years are assigned to its solution, he probably imagines that, by force of his arrangements (fallacious as they all are, according to plain inferences), India will, by hook or by crook, obtain some little store of gold through which it would deal with its international trade. Supposing then it were here granted, *ad absurdum*, that in spite of the value of the rupee being "made worth" 2s., India obtained some gold, its speedy export would soon prove the error implied in his assertion "that a gold currency is not essential to the continuance of a gold standard."

In order to show how Colonel Smith would meet the contingency for export of gold, I quote from his paper, paragraph 78, wherein he raises the question:—

"How is it possible that foreigners will give their goods in exchange for tokens of no use whatever to them?"

Whether by foreigners Colonel Smith also understands England, which, with the difference of India being governed by it, is also foreign, or whether he makes the proposition generally, does not appear, but he answers the question by saying:—

"This objection would be completely met if the tokens were made by law exchangeable at the Mint for gold bullion at par."

One feels tempted to ask whether this is a joke? for, firstly: Where will the Mint get the gold from? Is it to keep a stock of gold on hand? and who will furnish the non-interest bearing millions required? And secondly, What will the Mint do with the tokens, when it has given its gold for export in exchange?*

Apart from the total misapprehensions as to the simple functions of a Mint, viz., that of making the material into coin; apart from the consideration whether a Mint should hold a few or many millions of non-interest bearing gold, and who is to supply it, Colonel Smith, with such a proposal, would unwittingly effect the conversion of the Indian silver into gold through the Mint, and as by his at "par," he means at 2s. the rupee, the operation would, no doubt, be successful, provided the Mint had the gold required and knew what to do with the silver! In other words, the Government would thus be called upon to convert almost the entire stock of Indian silver into gold! It is the usual fate of proposals constructed like that of Colonel Smith to come face to face with such a question, and there to stop short in their triumphant career, without deeming any further inquiry necessary.

As a final example of what is engendered by such a course of thought, the following paragraph of Col. Smith's treatise is noteworthy. He says:—

"THE RATE OF EXCHANGE.—A few words have now to be said as to the proper rate of valuation of the rupee as compared with gold, and I would begin by remarking, that no other rate than 2s. the rupee can possibly be chosen. The advantages of it are so great that, even if it required some little distortion of the true value to bring it about, it would be a never-ending reproach to our statesmen if they were to adopt any other."

This means that statesmen are bound to admit that three times three make ten! The little distortion spoken of, if measured by the proportion of 1 to 15½, is that the former international value of the rupee is 1s. 10⅝d. only, and at the present market value of silver only about 1s. 8½d., and not 2s.

The idea at the bottom of this suggestion is, that the home Government, drawing heavily upon India, shall fix the exchange on India at 2s. a rupee. How many bills the Government will sell at 2s. the rupee, when the real value is but 1s. 8d. or less, remains to be seen, but other people could not be prevented from selling drafts at the latter rate or less. The assumption rests again upon the "scarcity of the rupee," which Colonel Smith wants to create. If we in England forbade the coining of sovereigns, that would not make the French and other exchanges rise to an equivalent of, say, 25 or 30 shillings per £1 instead of 20 shillings. It would simply ruin our business. It is a great pity that gentlemen who are so earnest in their purpose, are thus inclined to play with the closest and most important interests of commerce, as if they could be made subject to military command. The odium of all these restrictive and forcible measures would ruin India's internal and international trade completely. The balance of trade in favour of India, much diminished by the Council drafts from here, is already in jeopardy. Our Custom-house statistics show a balance in goods in favour of India of £6 millions, which, upon corrected exports from here, is, in reality, but about £3 millions, whilst the Council drafts are £17 millions a year, and continually increasing. Were it not for the opium trade of India, the balance of commerce would be against her. And if our legislators for India were to adopt Colonel Smith's proposal in stopping the coinage of rupees, the gold school would soon learn what "human law" could do in the way of destroying a country's capacity to import the precious metals. Among all the other fallacious reeds upon which Colonel Smith bases his scheme, this capacity of India to import bullion by the favourable balance of trade, is a mainstay. For, if that were to cease, neither gold could be imported at all, nor silver exported to other nations, except at an enormous loss. The time may not be far off when India will be in this position; the present state of trade forebodes it: what would England do with silver sent from thence?"

And here, ceasing the criticism on Colonel Smith's paper, it is expedient to point out the favourite tendency of all Anglo-Indians and others who begin to inquire into the Indian currency problem, to force the rupee into 2s. in some way or another. It may be a pleasing idea to do this, as 2s. is the $\frac{1}{10}$th of £1; but the rupee is no more fit for this purpose than many other foreign coins, which stand much nearer to this divi-

* In England the silver coinage as token, limited to £2 in tender, remains upon this basis for private persons, the Bank, the State and Mint. Neither of them are compelled to take more than £2. In Germany, where the amount of silver coin likely to be used is not as yet definitely ascertained, the state, for the present, takes back silver tokens for gold. But this is not done for export purposes, it is confined to small amounts, and is quite a different thing in its object, as well as in its effect, as those who know what it means will admit. Although Colonel Smith may have heard of this, he does not refer to it as an example. Our friend, Mr. Hendriks, would not have scrupled to have made a point of it.

sion of a sovereign, and we should not let our nationa prejudices interfere with common arithmetic and common sense. Our gold sovereign owes its value to its contents in gold, and for that plain reason we ought to guard its true dignity by refusing to twist it, or to twist other people's coinage into it. Upon the same principle we ought to respect the Indian silver rupee and its legal position. All proposals to make the sovereign equal to ten real rupees are of an unworthy and simple-minded character.

Mr. Hendriks' Proposal.

Whilst Colonel Smith and others follow this aim, we have another authority, Mr. Fred. Hendriks, who wants to twist the sovereign into 11 rupees. And these two gentlemen both insist upon their infallibility—only one makes it 10, the other 11, and treat each other and those differing from them with due indifference! Mr. Hendriks, an anxious partisan of universal coinage, first started a proposal for the assimilation of the Indian coinage in favour of such universal agreement, but lately abandoned this for a new suggestion of his. In order to appreciate the general tendency of Mr. Hendriks' scheme, it must be borne in mind that he is the strong advocate of the gold valuation into India, and that although he wants to make use of the bimetallic system or a certain period of transition, he objects to it and the bimetallic proportion of 1 to $15\frac{1}{2}$, on the extreme monometallic ground. The kind of product which such tendency can bring forth is a curiosity.

Firstly, in order to make the £1 like 11 rupees, Mr. Hendriks is reluctantly compelled, in spite of his furious monometallic views, to admit that a fixed proportion between gold and silver must be adopted. For this purpose, Mr. Hendriks enters into a review of the prices of silver in London, which he makes out to have been, at the beginning of the coinage of the existing rupee, at about $5\frac{1}{2}$ pence, and during the following period, up to 1877, as at about 60 pence, and then goes on to say: —

"The two factors of $59\frac{1}{2}$ pence, received in conjunction with an existing price of between 54 and 55 pence, are a justification for my average adjustment at about 59 pence per oz.," &c.

A more remarkable violation of true economy cannot well be conceived, than such a method of computing an average; if, in this case, the often falsifying system of average (the refuge for the destitute economist) were at all admissible. Mr. Hendriks' object, however, is evident. Having set himself the task of making the £1 into 11 rupees, or the $\frac{1}{11}$th part of the £1 into his new Indian 10-rupee piece of 112·799 grains gold, he is bound somehow to twist the rupee at 180 grains of silver into 58·71 pence per oz. standard, or "about" 59 pence, as he calls it. Without reference to the confusion as to the average of 60 pence until 1877, and the present price of 54 or 52 pence, which dates from the beginning of 1876), he adopts the two factors of $59\frac{1}{2}$ and 60 pence, he former being the supposed rate at the beginning, the latter the average of the whole. How can the former thus be a legitimate factor? and where is the principle of the correctness of such a process of computation? It rests upon nothing but Mr. Hendriks' own concoction; and although others may be overawed by the deliberate method of this style of thing, yet no true economist can admit its validity. Besides this, as regards the whole average, which Mr. Hendriks calculates without reference to respective periods of duration of prices, and which is, therefore, a general jumble of prices of varying durations, he commits *the vulgar error of taking the so-called London silver prices as his basis for India.* True, other economists have done so before him, and elaborate statements have been promulgated upon this. But it has also been pointed out by myself and others, and has been admitted by those who practically understand this question, that the London silver prices do not give the real value of silver for India or elsewhere. The freight and charges for shipping must be added, and, to show what this means, I mention that, in former years, when freights and charges were 2, 3, or 4 per cent., whilst now they are 1 or $1\frac{1}{2}$ per cent., the London price of silver, on that account, was on the average 1 to 2 pence per oz. lower. The prices of silver in India remained the same, those in London varied, for no other reason than the accidental, or, properly speaking, the "mechanical" question of conveyance. Now, here Mr. Hendriks may propose to say, "freight and charges apply also to gold, and we have no other evidence to go by than the gold price for silver in London." The price of gold in England is quite irrespective of freight and charges; it is fixed by law at 77s. 9d. per ounce. Mr. Hendriks might as well say that the price of gold is that current in Australia, California, and elsewhere, where it is not worth 77s. 9d. per ounce, but only so much as *less the freight and charges* it will fetch to send it here. And so every Anglo-Indian banker and other *abritrageur* clearly understands, that the actual value or gold price of silver to him is the London market price, *plus* the freight and charges to be paid, and in most cases these are actually paid here. So had the London banker to pay the Frenchman who shipped silver for him from Marseilles to India, and *these* freights and charges amounted to the actual gold price above the London market rates, which, as will be seen, are entirely subsidiary and dependent. It is not to be wondered at that economists of Mr. Hendriks' drift despise these simple matters, and say: "They have no other evidence to go by." If they were anxious for the truth, they would respect this practical detail as one of the important principles of the whole case, and avoid blinding themselves and others. Singular to say, Mr. Hendriks bases all his averages upon the London prices for silver, and then, innocent of what he is doing, transfers the whole case to Calcutta, at "about" 59 pence per ounce.

Taking the true basis as I have here indicated, by adding freight and charges, the medium value of silver for India is $60\frac{7}{8}$ pence per ounce, that is to say, the rate which silver would hold in sterling value in the bimetallic system. And those who understand the question will admit that this could not have been the case otherwise. Silver, from the mines, when arriving here in London, was either taken for the European continent at a price, less freight and charges at which it could then be coined at the proportion of

1 to $15\frac{1}{2}$ between gold and silver, or it was shipped to India at a price equal to the Indian Mint price, less freight and charges to India. On the other hand, when silver from mines was not obtainable here for India, it had to be taken from the Continent to be forwarded first to London, or shipped for London account direct from the Continent. The double charges of freight, the variations in the gold exchange with France and other countries, together with the full mint price, or occasional premium, had to be paid for in London. So, with the variations from 58 pence to $62\frac{1}{2}$ pence, which, during the century, until 1872, constituted the extreme ranges of prices, and taking into account the former heavier charges for freight and forwarding, and all the other features as they are known to the practical *arbritrageur*, the true average value of silver has been, until 1872, exactly $60\frac{7}{8}$ pence per ounce, and not 59, as Mr. Hendriks chooses to make it. Now, if Mr. Hendriks, who grounds his proposed adjustment of a new Indian valuation upon exact decimals of agreement, is thus utterly wrong in his first basis, it is evident that his proposal is already a mistake so far.

Nevertheless, upon this false basis, erring by more than 3 per cent., Mr. Hendriks now proposes that a new gold piece should be struck for India, to contain 102·7287 grains pure gold, to be exactly one-eleventh less than our British sovereign; so that, according to his computation, this piece would have the exact value of ten rupees. Mr. Hendriks would thereby try to establish a bimetallic system, to which, as a monometallist, in principle he has so decided an objection, as stated before.

Mr. Hendriks does not tell us where the gold is to come from, in exchange for silver, even at his reduced rato of 59d. For that rate is too cheap for the bimetallists to part with gold, and too dear for the general and Indian market itself. But, like Col. Smith, he also relies upon the limited stock of gold jewellery now in India as the main source, a fallacy to which I have alluded previously as unworthy of financial science.

But now comes the greater feature of Mr. Hendriks' scheme. After having thus established a kind of temporary bimetallic system, the present £180 millions of rupees are to be re-coined, and new pieces issued. The present pieces are to be brought to the Mint, where 11 per cent. (or 10 per cent. as Mr. Hendriks states it in his off-hand way) of their intrinsic value are taken off. Of the profit of 10 per cent., $6\frac{1}{2}$ per cent. are to go to the owner, and $3\frac{1}{2}$ per cent. to the State. As regards this, a dispute arises between Col. Smith and Mr. Hendriks, the one accusing the other of requiring a tariff for the conversion of value. Mr. Hendriks says that his 10-rupee piece of gold would be the standard, and therefore no tariff be required. The mixture of legerdemain and false accountancy here involved is all the more wonderful, because Mr. Hendriks says that, for the old Sicca rupee, a *batta* of $6\frac{1}{2}$ per cent. was allowed, as the $6\frac{1}{2}$ per cent. now proposed by him. The reduction of the old Sicca rupee was a silver matter, pure and simple, and the *batta* applied to the exchange with new rupees as well as with commodities. But here he proposes the reduction of the rupee by 10 per cent., without his *batta* of $6\frac{1}{2}$ per cent. applying to commodities. The analogy with the old Sicca rupee is utterly false, and the adoption of $6\frac{1}{2}$ per cent. inducement to the owner, allowing the balance as "profit" to the State, is only one of the ingredients of the whole arbitrary concoction.

Among the curiosities in regard to this proposal, one of the principal is that Mr. Hendriks desires a time, "say five years," within which the Indian people must submit to this change, and within which the whole reform must be accomplished, and the gold valuation perfected. He says that something like this has been done elsewhere. The assumption that such a term can be set to a scheme of this kind, because, say, Germany has lately done something similar, rests upon this unpardonable error:—Germany not only called in her old subsidiary coinage, as well as part of her full legal tender silver coinage, publishing beforehand that the exchange would be effected in gold, but provided also many millions of gold before the operation was commenced. How Germany acquired this gold beforehand is well known. Other subsidiary—silver or copper—coinages, have occasionally been called in and exchanged (as some years ago our own old copper coins), but in all these cases the operation was carried out, on account of the State, and involved but moderate amounts on the whole. That his proposal as regards India is a totally different matter; that India has not, like Germany, received a war indemnity from France; that he throws the onus of the whole case upon the people of India, he does not see. The people of India will not be so easily imposed on as Mr. Hendriks supposes.

According to this plan, then, Mr. Hendriks expects that the people of India will bring their rupees to the mint, there to have them reduced by 11 or 10 per cent., of which the State is to take $3\frac{1}{2}$ per cent. for its trouble, whilst $6\frac{1}{2}$ per cent. shall be the profit of the owner, without affecting the value of goods. What a happy and novel idea! It is a fit counterpart to Colonel Smith's notion as to creating a great value for the rupee by "scarcity," and the wonder only is that in these times of knowledge, the world has overlooked such simple expedients, with which "financial talents" insist upon setting right such gigantic matters. All the manifold interest of a country's internal and external trade are thus to be forced by a law within "say five years!" And such views are promulgated by men who profess being "free-traders," denying the power of human law. The circulation (for the importers into the mint take the coin from the circulation) is to surrender the coins; 11 per cent. are to be taken off, and then the circulation is to take the coin back again at the same value! Such a proposal would be absurd enough where the coin involved is one of full legal tender, and placed under no restrictions, for there would at all events be the chance that, under a corresponding rise in the value of commodities (which Mr. Hendriks denies), the circulation would take it back again at the lower rate, because it must have a supply of coin. Therefore, if, say, 100,000 rupees were so debased by 11 per cent., the 100,000 new coins would have the value of 89,000 of the old coin, and might again circulate under full legal tender as worth the latter. Mr. Hendriks, however, proposes that these pieces should be under restricted tender, as requisite for the maintenance of the gold valuation,

and those who are aware of what the range of subsidiary coin can possibly be, and bear in mind that probably not more than 10 per cent. of such coin can enter into circulation, will at once be able to recognise how one absurdity is thus heaped upon another.

The legal tender currency of a nation cannot be made tokens, even without the 11 per cent. *profit*. A small per-centage of it may be so appropriated. As regards the amount of silver in circulation in India, Mr. Hendriks now admits that it is a vast deal more than he asserted two years ago.* The total coinage of rupees during the last forty-one years is £213 millions; allowing for re-coinages, &c.; the actual amount in use is no less than £180 millions. Besides this, there are vast quantities of bar silver and dollars dealt in and hoarded, and enormous sums held as ornaments. But taking only the basis of £180 millions of legal tender money I say that, whether this legal tender be in gold or in silver, *subsidiary coinage for India* would *not amount to a total greater than £27 to 30 millions*, and that would be a very full allowance, even if the superstructure of legal tender were entirely of gold.

Mr. Hendriks has the hardihood to assert that the legal tender of the debased silver rupee subsidiary coinage may be fixed at 100 rupees, or £10. He thinks that, as the banking and clearing systems in India are not so well developed as here, this can be done. A more unwarranted and contradictory assertion has rarely been made. The insufficient development of banking and clearing is a reason why more full legal tender and full valued coin is required, and why, on the contrary, the subsidiary system is less available. If the legal tender of the debased rupee were fixed at 100 or even 50 rupees, as the vast majority of the transactions between the people in India are within these amounts, there would be no possibility of establishing the gold valuation, apart even from the question of value of commodities. In England the subsidiary coinage is limited to £2, in Germany to £1, and, if anything, the proportion in India should be less.

The whole question of the currencies involves that of proportions. The 32 millions of inhabitants of England use £160 millions of total currency, or £5½ per head. The 200 millions of people of India use (including notes, &c.), say, £200 millions of currency, or £1 per head. This corresponds to the average of prices of commodities, with the still cheaper labour, or daily wages, as compared with England. Indeed the rupee piece in India stands in the same relation to the value of things as the half-sovereign here; a two-rupee piece of silver would take the rank there which a sovereign does here. Now in England we use £16 millions, or 10 per cent. of *subsidiary coinage* on our total circulation, equal to about 10 shillings per head. India may use £20 millions, and if I make the allowance of 30 millions, I take the fullest possible measure, equal to 3 shillings per head. India will require *as many pieces of subsidiary silver coin* per head of population as are used elsewhere, but these pieces will be of *proportionately less value*.

The best test, however, of the strict correspondence of proportions here involved is afforded by the copper coinage of India. In England, on £1¾ millions of copper in circulation, the proportion is about 13 pence per head; in India, with 29 millions' worth of rupees in copper, the proportion is 3¾ pence, and this consists of 3 pice, 1 pice, and ½-pice pieces, of the respective relative value of ⅜th, ⅛th, and $\frac{1}{16}$th of a penny. (The rupee has 16 annas of 12 pice each, or 192 pice). In addition to this, even the ½ pice piece, or ¼ of our farthing, is accounted as equal (thereabouts) of 20 so-called "cash" (buttons of brass) and a number of cowry shells by way of further sub-division. There is, consequently, an enormous number of small copper coin, the lowest of the three descriptions being $\frac{1}{24}$th of a British penny, divided into brass cash of $\frac{1}{480}$th of a penny. Now, let it be clearly understood what this means. The copper coinage, yielding a very large profit to the State, the Government is naturally desirous of putting out as much as possible, and anyone can obtain as much as he likes; in fact, the State *drives* the issue as well as it can. In spite of this free or abundant supply, however, India does not absorb more in total amount than 29 millions of rupees.*

The natural inference involved in this matter of the copper coinages, in connection with the next strata of silver subsidiary coin, would therefore indicate that India would absorb between £25 and 30 millions of such silver coin, and no more!

To such plain teaching all reasonable men who understand something of the real nature of monetary laws and facts, and are willing to investigate them, would probably be accessible. But neither Col. Smith nor Mr. Hendriks is able or willing to understand such palpable truths. Both, in their eagerness on behalf of their special inventions, assume, the one that India can use her £180

* The gold partisans in their vacillations on the point of quantities of silver, split into two camps. The one tries to make out that the quantities of silver produced are overwhelmingly large, and the vast evidence given before the Parliamentary Committee of 1876 shows the trouble they took to prove this; which has since been shown to be most extravagant and exaggerated. The other party tries everything to make out that there is but very little silver in the world, to serve their purpose, and Mr Hendriks belongs to the latter. In 1876, in answer to my statements, Mr. Hendriks showed elaborate calculations that there were but £75 millions of legal money in Europe, including the German stock left. Since then, it has been shown that France alone has £90 millions, Germany £40 millions left, besides the stocks held by Belgium, Italy, Switzerland, Holland, and other European States, so that the total exceed the amount which I laid down as moderate. Most amusing appears the tendency of the witnesses before the Committee. One of them alleged that Germany had but £6 millions surplus, another gave £16 millions, according to official German data, a third spoke of £20 millions. I alleged that Germany had at least £30 millions left, and showed the figures, which allowing for the large sales already effected, proved this. My estimate was treated as excessive. But what were the facts as they have since been proven? Since then, Germany exported to England alone £14½ millions, besides several millions sent elsewhere; and at the beginning of this year, the chief German promoter of the gold system, whose tendency to underestimate the stock of silver is the same, admitted that at least £24 millions were left, so that my own statement of £30 millions, deemed excessive at that time, was from £7 to 8 millions under the mark. This tendency to evade the actual state of things is one of the characteristics, and can be continually observed in the controversy, even at the present time.

* The plain fact here shown ought also to dispose of most of the preposterous statements made before the Parliamentary Committee and repeated elsewhere. A great deal of evidence was offered with the view of showing that silver might find more employment among poorer populations of India. It was stated that there were many districts where the so-called "cash" and cowrie shells were currency. Now anyone having a notion of monetary matters will admit that these poor districts of India might acquire silver as well as comparatively wealthier portions, provided they had something to give in exchange for it. But they have nothing to render, and even if the silver were given to them gratis they would soon return it. They cannot even acquire the Government copper coinage which might be offered to them at so low a price.

millions of present legal tender coin as subsidiary coin at a rate even above its value, the other wants to take 11 per cent. off that coin in order to make it subsidiary. Whether these strongly promulgated schemes can stand the test of real and sober analysis may be inferred from the criticism here submitted. In almost every essential element connected with the laws governing monetary matters, they are wrong and contradictory. No statesman should allow himself to be influenced by such proposals unless it be for the purpose of showing him what the loose spirit of "invention," coupled with false doctrine, can produce in this field of inquiry.

Apart from the particular crazes which I have pointed out in these proposals, there is one commanding feature, which in the recklessness and uncertainty of purpose, is overlooked in schemes like this.

Colonel Smith as well as Mr. Hendriks want to introduce gold, the one gradually, and the other within the shortest possible time. That is to say they want to exchange the £180 millions of Indian silver for gold. Now, without reference to their schemes of subsidiary coinage, and the quantity of silver to be disposed of by India for gold, the question would naturally arise, how is India to dispose of her silver? The European nations, England and Germany, having demonetised silver, the bimetallic States being at present disinclined to buy, the United States producing sufficient for their wants, provided they re-adopt silver, there is in reality no other purchaser than India herself, and China obtains what it wants without India. The other uncivilised or naked nations having nothing to give in return, India would have no market whatever for getting rid of silver for gold. Moreover if the gold valuation school succeeds in its endeavours, if America is unable to maintain the proposed bimetallic system, and other bimetallic and silver States are forced to dispose of their silver, where will India be? It is, perhaps, unnecessary here to go as far as this full state of threatening confusion in the world, still it ought to have been the duty of Colonel Smith and Mr. Hendriks to point out for India's sake how its silver, partly or mainly, is to be exchanged for gold. They rely upon some indefinite kind of "somehow," of which, as I have shown, they themselves have the most contradictory ideas. Monetary economists should, however, be able to give a clear and distinct account in reference to such contingencies.

It is expedient here that I should make some reference as to the penchant under which my friend Mr. Hendriks is labouring in this controversy. It is he, who, in the Dutch legislature, was called the "gold fanatic" of Europe. Being a facile writer, able to use plausible language, he has set his heart upon proving that he, or rather England, is right in enforcing the gold valuation upon the world. It so happens that in this matter Mr. Hendriks has the command of the *Economist*, the important mercantile journal of London. The late proprietor and editor of this publication was a strong adherent of the gold school, but he exercised at least some control over the views expressed. Latterly, however, Mr. Hendriks has had it all his own way. Mr. Hendriks himself follows the highly honourable occupation of an actuary of insurance; but it may not be out of place here to state, that in matters of this kind, it is at least desirable that a writer should have some practical knowledge of international banking, so as to be able to check mere doctrinal conceptions. It must, therefore, be understood that the violent language which the London *Economist* displays as regards bimetallism does not, strictly speaking, represent editorial or general commercial opinions, but only the extreme views of Mr. Hendriks. That a certain number of prejudiced economists, bankers, and others, here in England, approve of this kind of national *Chauvinism* can be inferred. One of Mr. Hendriks' chief pupils abroad is M. de Parieu, formerly President of the Council of State of Louis Napoleon, one of the chief agents of the late political fiasco. Together with a few other *ex-parte* continental writers in favour of gold, Mr. Hendriks and Mons. Parieu fulminate articles against the bimetallic system, in which they take great delight in most frequently quoting each other's utterances and dogmas. A surer sign of want of originality than that of continually quoting these platitudes on "standards" and their belongings, cannot be. Throughout all this, they adopt that high-sounding phraseology which conveys in every word the contempt they feel for others, and move heaven and earth to blind the judgment of their readers, otherwise well-disposed to hear reason. Of the riskiness of the statements made by Mr. Hendriks, the following is one example. In an article in the *Economist* of the 23rd of February, 1878, the following passage occurs:—

"And as to England, Germany, Sweden, Denmark, and Norway, or other countries which have the advantage of a single standard of gold, or as to India, which, has the next best thing to it, a single standard of silver, entertaining so visionary a project as that of a bimetallic money and a see-saw standard, the very notion is repulsive to the advanced intelligence in economical science of their Legislatures and people, and deserves the hearty disapproval of all who desire to avoid experiments, that remind one rather of the crude problems of the sixteenth than of the ripe experience of the nineteenth century."

Mr. Hendriks has no right to say that Sweden, Denmark, Norway, and other countries have the "advantage" of gold valuation. The Scandinavian Union has passed a law to introduce it, but has as yet taken no active steps, and silver remains in use. The "other" countries of the gold system are nearly all bankrupt, or poor, viz., Turkey, Persia, Brazils, and Portugal, in the last of which no gold is coined, and the silver milreis rule, in circulation and exchange. Germany alone has effected the change, and had £200 millions of war indemnity from France to do this with; the depression now ruling and the general distress which now prevails there do not show the "advantage." The statement is a studious misrepresentation merely. Mr. Hendriks designedly avoids alluding to the wealth of France as a bimetallic State, and concludes with the grandiloquent sentence about the 16th or 19th century, as if he and his party were more civilised than others. The unfairness of this style of thing, in saying that the bimetallic system is an "experiment," whereas it is that which has been established so long and successfully, and is *de facto*, that which exists in

the aggregate, is noteworthy. The "experiment" so far has been confined to the gold valuation in England, and this has been *seemingly* successful, for reasons before stated. The further "experiment" made by Germany has already brought the consequences shown. When a writer descends to employ such methods of enforcing his doctrines, he must create suspicion as to his views. The cloven foot, however, appears in his allusion to the single standard of silver in India, and thereby he betrays that, after all, he may be simply a furious monometallist trying to sit between two stools; whereas that singular man, Mons. Chevalier, at all events, had the good sense to shift about, and finally decided to sit on the gold stool.

A still more characteristic piece of Mr. Hendriks' tendency is in the following, as reported in the *Journal of the Society of Arts*, of the 12th April, 1878, wherein Mr. Hendriks again advocates his Indian scheme of converting the silver coinage of India into gold and subsidiary pieces. On page 439, he says that the course recommended by him was accomplished in many countries. Apparently, he puts the matter on the ground of concurrent circulation of new and old coins; but, in reality, he wants to convey the impression that the whole of the proceedings were equal. He says:—

"It was done in England in 1816, when the shilling, which used to be coined at 62 shillings to the pound weight of silver, came to be coined, as it is now, at 66 shillings to the pound, and its legal tender restricted to the sum of two pounds. The same thing is now being done in Germany with a similar object, and other countries have acted in the same manner," &c.

Should this convey the impression intended, that the situation in India in any way resembles that of England and Germany at the time, nothing can be more false. Before the end of last century our silver was coined at 62d. per ounce, but for more than 30 years before 1816, England made no silver coinage whatever; no silver coin was in circulation during the Napoleonic wars, and only paper money was used. In 1814 neither gold nor silver was in use; until 1820 both were at a high premium. In reality, with the exception of a moderate quantity of Spanish and other foreign dollars, and a very sparing quantity of old shilling coinage, with a few abortive attempts at "tokens," there was no silver, and in 1816 England could start afresh, with an entirely new system. India, however, has its whole mass of coinage in silver now, and, unlike Germany, has not received £200 millions from France, when the Indian market itself was at its disposal.

So much for the perversion of broad facts in this case, but this is not all. Both the English and the German Government, be it distinctly understood, guaranteed the conversion, and effected the exchange of silver into gold, at a previously declared fixed value. In England this did not amount to much, and left no loss, because silver was readily taken abroad; but the German Government (and every other government contemplating a change must do so similarly) distinctly made itself liable to furnish 1 part of gold for every 15½ parts of silver, and carries out this contract faithfully, at whatever cost to the State. Neither Colonel Smith nor Mr. Hendriks recognises this cardinal principle in the whole question of change of valuation. Their schemes are framed so as to throw the responsibility and the losses to be incurred by the change, upon the people of India themselves. Military ruthlessness or actuarial doctrinism in a parent country may chose to dictate such a proceeding on a conquered and dependent colony, but men of justly balanced minds, and those who have the real interest of India at heart, cannot approve of this. If any change is to be introduced into India by force of a law initiated by Government, that Government must also take the full responsibility of the possible loss to which its subjects might be exposed.

Finally, I dismiss Mr. Hendriks' proposal by pointing out that, in addition to its theoretical vagaries, it involves, as regards the hocus pocus contemplated in the conversion of the Indian full legal tender silver rupee by deducting 11 per cent., *the total recoinage of the pieces*. This would be an exceedingly tedious and difficult process, which ought not to be lightly undertaken. The whole of the criticism here passed upon Mr. Hendriks views must not, however, be regarded as involving a personal matter. Mr. Hendriks is simply the best type of a class of writers, who treat opinions opposed to their own with a degree of contempt equalled only by the imperious sway which they claim for their own dictates. Those who understand these points here criticised, may, at all events, now form a judgment as to the rights of such writers to be reliable advisers in these great matters.

THE DIFFICULTIES AND DUTIES OF THE BRITISH AND INDIAN GOVERNMENTS IN THIS MATTER.

Of all the tasks and duties belonging to Governments, those connected with the subject of valuation appear the most odious and precarious. To a Government like ours, which in its general policy, as founded upon certain doctrines, prefer to leave things to their own development, they must be hateful. This matter of the valuation, however, concerns one of the most important imperial duties. It is exclusively imperial, not only as regards the technical matters connected with the mint, the laws of legal tender involved, but also as regards the material on which the coinage should rest. Whether there were motives of policy, or dictates of fact or theory, which induced our Government to adopt the gold system in 1816, to re-affirm the silver system in India in 1834, or whether other Governments were guided by similar or different motives, the matter practically and exclusively lies in the hands of the State. The most important private interests of the people, as well as the financial life and position of the Government itself, depend upon it. It follows, that any practical influence which manifests itself as injurious or beneficial to the valuation of the country, must be noticed by the State. The demonetisation of silver, for instance, in Europe, has had an influence on India, and an outcry is raised against this, backed by the actual great loss incurred in both private and governmental business. It does not follow that therefore our Anglo-Indian Government should take into account the so-called "international" aspect of the matter, although economists of previous times were sufficiently wise to do this; but in this case of the Indian valuation, it is the bounden duty of the State, be it for selfish motives only, to recognise its imperial obligation.

The question of how the interests of India and England can best be served then comes to the front; and here the two points—

1. Shall we leave this matter alone to settle itself? or
2. Shall we do something, and what shall we do?

arise. The suggestion to leave matters alone, as best serving the purpose, should at once give way to the practical experience of the great danger to which the Indian silver valuation is now subjected, and the heavy losses made by the fall in the value of silver. The Indian Government itself shows that its loss on exchange is £3 millions per annum. Although this loss is, so far, only a matter of budget, yet if silver further declines, it will become more serious. It is admitted that this state of things cannot continue. Some persons may think that India profits from the greater quantity of silver which it has recently obtained, but export prices in Indian ports have already risen to the corresponding point, apart from the depreciation of the entire present stock of silver in India. At the same time the £3 millions of loss to the Indian Government and other losses in the exchange weaken India's power to continue importing silver, and threaten further losses and confusion to both Indian and British interests.

There is also the further consideration, that, although the maintenance of the single silver valuation is satisfactory to the monometallic extreme school, and supposing its maintenance in India possible in any way, yet it is impossible to drive the world, or India and Europe, into one silver *versus* one gold system, without destroying their mutual trade. Where balances of trade cannot be settled by either silver or gold, by way of profit, the chief motive of trade ceases, notwithstanding the allegations of the simple-minded "commodity school." If the balance of trade turn against India, a contingency to which we are getting nearer every year, what could Europe do with Indian silver? These practical considerations show that India must be protected in some way, and if that is admitted as a principle, any vacillating policy must be avoided. Such a vacillating policy, for instance, might be formed upon the supposition that the recent demonetisation of silver in America, and the steps which might possibly be taken by the proposed bimetallic congress, would rehabilitate to some extent the price of silver, and, therefore, rescue India from its present dilemma to some extent. Whether this effect will be produced or not, or only to some extent, the principle above elucidated remains of the same necessity. Indeed, in any case, whether silver fall or rise through the alterations in the laws of other nations (the only real cause of fluctuations), it is admitted on all sides that the Indian valuation should be assimilated as much as possible to the system of the English, by introducing gold into the Indian circulation, and giving it a hold in the country.

If, therefore, it be taken as granted that the Government must take action in the matter, it should be fully understood what are its responsibilities and difficulties in the first place. Most schemes so far submitted, like the two criticised before,

want to avoid this Government responsibility. In these proposals there lurks the suggestion that, by commencing the changes they recommend by force of law in a gradual way, they will effect the object in an "insidious" way. The weakness of this kind of thing has already been referred to in connection with their reliance upon gold jewellery in India and other absurdities. The people of India should not be treated in so Jesuitical a fashion. In problems of this kind, which involve the change of one thing for another, there can be no compromise. Whether it is thought that such a change can be effected slowly or at once, at all the stages of any supposed possible progress, as at the beginning, the principle involved and the problem remain the same. Rather than slowly poison the interests of India in this way for years to come, the most ruthless, instantaneous action is to be preferred. It must therefore, be distinctly understood that the Government, in making a change in the valuation, must bear the responsibility. All governments have recognised this, and have at once, beforehand, given the necessary guarantees, and undertaken the definite responsibility, without any reserve whatever.

But in what way is the State going to obtain the means? The problem is that of exchanging silver for gold, as Germany has done. Germany, however, had £200 millions from France, or double as much as she required.

It might here be boldly suggested, as has been done, that, important as this matter is to India, the Government should not hesitate to issue a loan, say, of £50 millions, so as to secure so much of gold, at least, for India. This amount would not be enough for an effective gold valuation, whilst £150 millions of legal tender silver remained. But, aside from this, the interest of the £50 millions or 100 millions to be paid by India would only lead to the speedy loss of gold, by irrevocably turning the balance of trade against her. Besides, rich though England is, she has not £50 millions of gold to spare; and if this sum were to be raised in the general gold market, it would scarcely be easy to do so. Germany had an absolute claim on France, and held her debtor in chains. Besides this, Germany could sell her silver to India, whilst India now would have no market. The suggestion of such a loan for India is, therefore, unsuitable for numerous reasons.

Beyond these general practical difficulties, the greater difficulty in the way of both the home and the Indian Government is the violence and prejudice of the extreme gold party, whose doctrinism pervades the so-called leaders of financial questions, and to whom the members of the Government themselves are probably subjected. At the present moment, for instance, an opportunity offers itself for doing something for India. America has invited the nations interested in the matter to a Congress, with a view of considering the best steps to be taken. Among our economists are several who wantonly allege that such an international agreement is chimerical, and there are many other financial authorities who go further than this. The Right Hon. Robert Lowe, for instance, need but say that "this country can stand alone" in its monetary glory, that it knows "its own affairs" best, and appeal to our ultra national sentiments in order to call forth cheers. The Government will find this the most serious difficulty to deal with. Let it be hoped that they are above this sort of reasoning.

Fortunately there are many high-minded statesmen, economists, bankers, and merchants, who know that England's interests are bound with international matters more than those of other nations, that "international" law and agreement involve now-a-days the greater principles of social welfare. They well know that the very materials, gold and silver, are obtained by England from other nations, and that, *prima facie*, as regards India, it is of the greatest moment to the interest of the British Empire to notice what goes on among other nations in reference to matters affecting the use of gold and silver.

England, therefore, were it but for the purpose of giving her weight in favour of what she thinks right, in opposition to any error to which that Congress might be deemed liable, should attend such a Congress. It does not follow in any way, as I shall show hereafter, that thereby England should commit herself to a bimetallic system; but on behalf of India, the British Indian Government should be represented there, if only for the purpose of hearing. Intellectual and earnest men of all nations will be there present, and it does not follow that our, and other extreme advocates of the gold system are their superiors without question. So much might be admitted.

The British-Indian Government should not forget that the valuation system of India ought to be as sacred to them as that of England itself. They must honour it in its origin, in its present existence, and with all its technicalities. They must not allow that it shall be subject to any wild suggestion or one of hocus pocus. The original lines of the valuation—the 180 grains of silver to the rupee—must be respected, as our sovereign coinage of £3 17s. 10½d. per oz. of gold, in any possible combination between the two systems.

Having thus represented the difficulties and duties of the Government in the matter, *I now propose to show* in the *next chapter* how all *these difficulties can be avoided.*

The proposal which I have to submit will rest on the following basis:—

1. It will not involve the abandonment by England of its gold valuation, or invalidate that system in any shape whatsoever.

2. It will respect the original basis of India's system, and yet lead the way to the introduction into India of the British sovereign.

3. It will bring England and India upon an equal footing, the difference remaining being solely that of India using proportionately more silver, and England more gold, as at present, and as is in accord with the actual situation, prices, and other considerations.

4. It will not compel Government to raise any loan for the purpose, or to take any responsibility in the way of conversion of silver to gold in India, involving any loss.

5. It will not require any possible, or impossible, perversion or artificial attempt of twisting the value of the silver in India, or gold coinage of any other country.

6. It will not necessitate any hasty re-coinage of the existing stock of silver in India or elsewhere.

7. It will not require England to give its special assent to any international agreement or congress, England and India acting as if for themselves alone.

8. The plan in all its principles and technical details remaining one entirely made on behalf of English and Indian interests—apart from international agreement, or that which other nations may or may not do—it will at the same time accord with the international situation, principally in the interests of India and England.

To a programme thus set forth, the extreme gold party, as well as the bimetallists, may consent to listen, and intellectual statesmen, in actual command of the situation, may pay attention to such a plan.

THE AUTHOR'S PROPOSAL,

To which he calls the attention of Anglo-Indian Financiers, the Government and the International Monetary Congress of Paris.

In accordance with the programme set forth last, I herewith state, at the beginning that my proposal does not require England to give up her present monometallic gold system for a bimetallic one, and that the present valuation is to remain in full force. This may appear to be a singular concession by a bimetallic writer, but I have always advocated this, and if this is not so well known, it is due to the reckless manner in which the opponents of bimetallism treat those who have anything whatsoever to say in favour of silver. Nor is this proposal of the nature of a compromise; on the contrary, it rests upon perfectly appreciable reasoning. I even go so far to say that the adoption of bimetallism by England would at this time be an error. Those who have clearly understood the division of the nations into the three groups previously spoken of, viz., the gold system, the gold and silver system, and the silver system, and the equilibrium which hitherto existed between them, will understand that between India, as the ultra silver State, and England, as the ultra gold State, a set-off is represented. Each system has its own effect upon the equilibrium, the one compensating for the other. But if England now became bimetallic, whilst India remained on silver, that compensating effect between them would be destroyed. The question of bimetallism for England must, therefore, be set aside for the present. Even when India, in its turn, has acquired sufficient gold to be able to use it internationally with silver, England need not necessarily become bimetallic. It is likely, that at such a time, the proportions between gold and silver will have settled themselves in accord with the level of prices of labour and other matters in different countries, the poorer ones holding the bulk of silver, the richer ones the bulk of gold, but with such a mutual combination between them as to answer every purpose.

But although it is here stated that between England and India there is this kind of set-off, this must not be made a point for saying that therefore there exists between them something equivalent to bimetallism. For India, governed as it is by Englishmen, is, after all, to us the same as a foreign nation; and the conflict between England and India in this valuation matter is the most antagonistic of all. It is just the purpose of this proposal to show how this conflict can be set aside, and the two systems be brought into peaceful combination, in accordance with the conditions of the programme laid down at the end of the last chapter.

I may best develop the plan and its features by commencing at once with the *plain technical points involved.*

Let there be *coined for India a silver piece of the exact value of two rupees and two annas*, according to the Indian Mint value for silver. The rupee of 16 annas, having 165 grains troy of fine silver, this piece of 34 annas would contain 350⅝ grains fine. Independently of the important connection of this piece with what will be shown hereafter, such a coin would meet with favour in India, as being of the much liked *type of the dollar*. Dollars of all kinds are much sought in India; the Mexican dollars circulate throughout the far east at even above their intrinsic value. At the rate of 60⅞ pence per ounce (the real value and Latin union rate) the Mexican dollar is worth 4s. 3½d. sterling intrinsically. It contains 374¼ fine grains, so that the proposed Indian piece of 350⅝ grains fine would at the same rate have a corresponding value of 4s. sterling. Throughout the East the Mexican dollar passes at a value above its silver content. The Indian bazaar people, finding that the proposed 2-rupee 2-anna piece is coined for them on their own Indian Mint basis, that it is thoroughly honest and of the precise Indian value, would unquestionably favour it; and the Anglo-Indian Mint stamp is entitled to as much, if not greater confidence in the East, than that of Mexico and other dollar-making States. Indeed, such an English dollar, whether minted in India or in England, might gain a better right for circulation throughout Asia and Africa.

There are, besides, other exclusively Indian reasons for its adoption. The rupee is too small a piece as a unit, especially since, at this time, prices have risen. It stands in about the same relative rank as our half-sovereign in England; whereas this double piece would be the same proper unit for India as the £1 is here. Although in 1834, the rupee, founded on the old system, was continued, yet even then it was thought that a larger piece of the dollar type would have been more suitable.

I propose, then, that such coin of 34 annas should be struck, *concurrently* with the present rupee, that is to say, both pieces, the dollar at 34 annas, the rupee at 16 annas, should circulate together for as long as it may please us. They would do so with the greatest ease, whether or not it be deemed that the one should gradually supersede the other. The question might then be decided whether, at some near time, the coinage of rupees should cease, and the new piece take its place. That would, of course, be a proceeding entirely different from that urged by Col. Smith, who desires that the coining of silver should cease altogether, to the ruin of the valuation of silver. What I propose, is only the creation of a more suitable piece of silver. Now if at some future time this dollar piece should be present in sufficient quantities, it might be resolved to coin no more rupees, and, finally, to convert the present existing legal tender pieces of that kind into the dollar proposed. This need not be hurried or enforced in any way.

The following prospective advantages for India would result from this:—

The rupee, having 16 annas of 12 pice each, or 192 pice, this new piece would hold 408 pice. There would be no difficulty hereafter in making 400 pice a dollar, so that five of these dollars would be 2,000 pice—a two pice piece (hitherto not used in India) thus being $\frac{1}{1000}$ part of 5 dollars—which is, at the rate of 60⅞ pence per ounce standard silver, = £1.

I repeat, there is no hurry for this, the new piece can well circulate as 2 rupees and 2 annas alongside of the present coins, and under the rupee division. Nevertheless, at a suitable time, this re-division into decimal form in lieu of the existing clumsy rate of 192 pice per rupee, is easily carried out.*

But now comes another prospective important advantage by which India may be furnished with its proper share of subsidiary silver coin. And this is a subject I recommend to the consideration of Col. Smith and Mr. Hendriks, whose ideas on this point seem so hazy. Whenever this new dollar-piece has gained a sufficient footing, it might then be feasible to convert, say £25 or 30 millions of the present rupees into subsidiary coins, that proportion being possible. A beginning might be made with the half-rupees and coins below that. These might be converted into coins like shillings and sixpences, and lower, and placed under the usual restrictions as to legal tender. The whole rupee might as yet be maintained, to be dealt with at leisure. The rupee having 165 grains fine, if reduced to subsidiary coin at 161⅞ grains, would then have the precise silver weight of our English florin—and the profit to be made on the £25 or £30 millions would be sufficient to compensate the State for the conversion of the full valued rupee into the 2 rupee 2 anna piece of full value, and that of the balance of rupees into subsidiary half-dollars or florins, and subdivisions. The half-rupee, at 96 pice of full tender, would then first be converted to 100 pice under limited tender, and a slight inducement would be held out to bring the present rupee into the half-dollar, under similar conditions.

By this arrangement the following internal advantages would be secured to India:—

1. A better type of silver coin would be created, without requiring in the least any twisting of value, without violating the Indian valuation, and remaining strictly upon its basis. The 4s. piece might circulate together with the rupee, or lead the way to the reform mentioned. For the main purpose, presently to be shown, either will answer.

2. No forcible re-coinages would be required. The mere future coinage of the 2-rupee 2-anna piece, in lieu of the rupee, would leave the existence of the latter not only unmolested, but confirm it. Any re-coinage of rupees into dollars may proceed, at the option of the importer into the mint; and, in view of the profit the State may make on the subsequent subsidiary coinage, this conversion may be made on the cheapest possible, or no charge, so as to encourage it.

3. India, which has hitherto had no true subsidiary silver coinage, by converting the balance of from £25 to 30 millions into florins and their subdivisions, would make a commencement with this system, on precisely the same basis as exists in England, France and elsewhere. The difference so far between England and India would be, that whilst the gold sovereign is the only full legal tender coin, there would be for India the silver dollar besides.

* Although there is a great difficulty in adjusting such practical differences between legal tender coins or larger coins, yet no difficulty exists as regards copper coinage. The German Government lately converted the 1-10th mark from 12 pfennige into 10, and prices at once adjusted themselves to the copper coinage circulation. The difference proposed for India would be but from 408 to 400, so that the present copper would remain, and a new 2-pice piece find a suitable place.

Now, it might still be urged that, although the above-mentioned internal advantages of this system are feasible, yet why should even such an easy change be made?

Let it, however, be understood that the proposals for the *conversion* of the rupee into the dollar system are *prospectively* available. There is no immediate need for it. The rupee might continue as it is with its subdivisions as at present, *provided only, that this 34 annas or dollar piece* were coined *in addition* to the rupee, for now the most important advantage of the adoption of this piece will be shown, as being the *means of connecting the Indian silver system with the English gold system.*

For this purpose I recommend, then, that *a similar silver coin* of 350⅝ grains of fine silver be struck in England, to circulate *as a 4-shilling piece.*

Here it will at once be said by my opponents, you want the "double standard" in England! I want nothing of the kind; the gold valuation here shall remain intact. Let me explain. By saying, let this piece circulate in England, I mean that it should be treated here precisely as our other present silver coinage, under the same limit of tender as our shillings, florins, and half-crowns; simply as if alongside of these we had a 4s. piece or double florin. It might take the place of the crown or 5s. piece, not issued now on account of its size, that size being 25 per cent. in excess of other nations' silver coin. The double florin would be a current size. Now, those who understand the question of our subsidiary coinage in its limited character (limited to payments of £2), as determining *per contra* the full legal tender right of gold, will at once see that this double florin would not in the least interfere with the single gold valuation. Nor would this, as it might be phrased, introduce the thin edge of the wedge, for as long as the law of limited tender to silver pieces is maintained, it is absolute and definite as regards the supremacy of full legal tender gold coin.

Our home circulation of silver coin of about £16 millions requires occasional additions through increase of population, and old worn coins are continually re-coined. Instead of coining, say £1 million of florins and half-crowns for the wants of our home circulation as they may arise, or for the re-coining of worn pieces, such an amount of double florins or dollars might be made, and becoming part and parcel of the total of our stock of limited tender silver coin, they would necessarily fall under the same restrictions which prevent our present subsidiary coinage from acquiring too great a redundancy. This force of restricted tender would be all-powerful enough for the purpose, but it may further be guarded, by providing that although the Indian and English pieces should be of precisely the same silver contents and quality, and of the same general pattern, yet there should be a difference in the stamp, indicating that the Indian pieces are not full legal tender here. The English double florin may, in its turn, become full legal tender in India upon receiving an extra stamp or mark through the Indian mints, and such mark should invalidate its tender here. These precautions, together with the originally limited English coinage of the piece, would render redundancy impossible.

The 4-shilling piece would be a great advantage to our circulation. Our present English silver coinage, being coined at 66d. per ounce, is not exportable at that artificially high rate, the florin contains but 161⅞ grains; but the double florin would contain 350⅝ grains of fine silver, the exact equivalent of 34 Indian annas. At any time, whether from redundancy or our wish to get rid of these two-florin pieces, they could be exported to India as 2 rupees and 2 annas there. Whatever the rate of exchange on India (or the value of silver, which is the same thing) might be, they could be sent there without the slightest loss to us. The rate of exchange on India is now paid for here in gold, and might then also be paid in the double florins without that making any difference to us or to India. But we might go much further than this: our own English mint might manufacture these pieces expressly for India, and this would become a strong practical tie between them and our home-coined sovereigns. Both descriptions of coins could be manufactured in England, the proposed dollar being the exact one-fifth of a sovereign. As has been shown before, the attempts to twist the sovereign into ten rupees made by Col. Smith, or into 11 rupees made by Mr. Hendriks, are futile, because the rupee is a totally independent coin. But this proposed dollar would give the great convenience of being the exact one-fifth of the £1, provided we here in *England accept it as a four-shilling piece*, as the support of this proportion for the purpose in view.

What objection could there be to our doing so, as far as the British public and its valuation are concerned? The proposed four-shilling piece would be issued alongside of—or, rather, as an integral part of—our silver coinage. The circulation of the total amount of silver current here being about £16 millions, £1 million to £2 millions of that total might well consist of such dollars; replacing, so to speak, the old, clumsy, five-shilling pieces. In the event of undue accumulation, in the hands of bankers and others of the present silver coinage, the holders complain of their inability to dispose of such surplus; but these four-shilling pieces, being of a higher value in silver, could be exported. To the extent, then, that we can use this coin, as hinted at above, our silver coinage would acquire an element of moderate elasticity which it now lacks. This is of high importance in reference to the question of the expediency and justice of the question of subsidiary coinage generally. Without causing any inconvenience whatever to the public, this coin would become a wholesome and a beneficial factor in our currency system, leaving our gold valuation in perfect integrity.

What risk could our home Government run in adopting such a coin for our own internal circulation, within the limits mentioned? As said before, the piece would replace the former five-shilling piece, and might be coined by the State, under the option hitherto exercised as regards the proportionate supply of the respective denominations.*

* In order to show the difficulties with which men dealing with subjects of this kind have to contend, and the variety of opinions which authorities entertain, even on technical matters, I here mention the following:—My friend, Mr. Hill, the responsible chief of the working department of the British Mint, labours under the impression that, in this country, no silver pieces heavier than one shilling should be coined. His reasons are that counterfeit coiners can manufacture florins, half-crowns, and heavier pieces with much more facility than shillings. Independent of the necessity of furnishing the public with a variety of coins, of various relative value, as one of the

The only difference in regard to this piece would be that, whereas the Government now makes a very large profit on the existing silver coinage, issued at 66 pence an ounce, the profit on this four-shilling piece, giving an issue rate of 60¾ pence per ounce would be so much less. At the price of 60 pence per ounce for fair silver, there would still be margin enough to pay for coinage and leave a small profit, but the present price of silver is much below 60 pence per ounce. The State can, therefore, run no risk whatsoever, even if the issue of this coin became only a matter of experiment, for if at some time or another it were desired to withdraw it from circulation, it could be received at 66 pence into the usual existing pieces, and thus yield a profit of 8 per cent. to the Government. It may also be worth while to note that, in view of the present great decline in the value of silver, and the jeopardy to which our present silver coinage is consequently subject as regards the possibility of unauthorised private coinage, it might be well to introduce a silver piece of relative higher contents of silver by way of preliminary precaution.

As regards the coinage of this piece for India by our British Mint there can be no objection whatever to this. A coinage charge of 1 per cent. (or less) might be levied here, and in the event of this piece being adopted in India, a considerable portion of such coin might be made here. If then, under the supposition that such an arrangement as regards the use of a similar coin here, under the suitable restrictions pointed out, became moderately assured; if this slight element of elasticity be added to our present silver currency, and the export of these pieces to India and elsewhere be at any time practicable; silver would, at all events, have a kind of market of its own in England. More or less limited as this might, nevertheless, be, it would, at all events, enable us to look upon silver as affording more security than it appears to do now. As an instance of the applicability of this, it may be mentioned that under the Act of Parliament of Sir Robert Peel, the Bank of England has the right of holding 20 per cent. of silver in the building of the note issue department. The Bank of England, for the greater part of the time of the existence of Sir Robert Peel's Act, has wisely discontinued this practice, for its inability to dispose of a quantity of our present debased and unexportable silver coinage soon made itself manifest. But if this four-shilling piece were adopted, the Bank of England might chose to recur now and then to this distinct proviso of Sir Robert Peel's Act in a moderate way; and the pieces being exportable to India at any time, considerable advantages would accrue to the exchange business of India and to other matters.

Having thus shown the exact relation of this proposal to India and to England, that is to each country separately, as far as the feasible advantages, together with the possible risks, are concerned, it will probable be conceded that in reality there are no risks at all involved. For India, the new piece would fully accord with its system, give a better type of coin, involve no forcible recoinages, and if recoinages are deemed expedient for the general purposes connected with the proposal, and especially that of instituting a system of subsidiary silver coinage, they can be undertaken at leisure, and with fair moderate profit to the Indian Government. As far as England is concerned, I trust, I have abundantly shown that the four-shilling piece involves no risk whatsoever, and that, on the contrary, it would, for several reasons, be a desirable addition to our internal silver circulation, without entailing in the slightest degree a modification of the gold valuation. It must now be left to the judgment of those who can appreciate the nature of monetary matters, and the necessity of easy and convenient arithmetical agreement between two monetary systems, whether the plan submitted is suitable for the purpose of an approach between the English and Indian valuation. In all attempts to reconcile two systems of money, the great difficulty has always been the adjustment of more or less extensive arithmetical fractions. All efforts to treat such fractions in a rough assumptive way violate either the one or the other system, and lead to such extraordinary and impossible schemes as I have ventured to criticise before. Both systems must be respected in their integrity, and I contend that the issue of the proposed dollar, and the system described in connection with it, completely answer this purpose.

Under this plan, the Indian dollar becoming the $\frac{1}{15}$th of £1, the people of India will no doubt find both convenient, and the £1 sterling can be introduced into India in a moderate, but such effective a measure, as is now so desirable. The difficulty with the gold mohur which has hitherto been experienced is due to the varying attempts of making it either 15 or 16 rupees, it corresponding to neither of these figures, but to a fraction between. But if the £1 be so adjusted to the Indian dollar, if both nations use them in the manner described, according to each system of valuation, not the slightest doubt can be entertained that England and India will come to an accord in their monetary system. In this, besides all its colossal advantages, the combined coinages of her Majesty, the Queen of England and Empress of India, will assert their dignity, and obtain a firm hold in the British Empire and elsewhere.

What is of especial importance in this case of England and India, as far as their mutual adjustment is concerned, is that this plan is entirely independent of any valuation of other nations, whether these nations deal in gold, or gold and silver combined, or in silver alone. It depends upon the Mint values of England and India respectively, just as if the world at large consisted of England and India alone.

The next and more important plea for my proposal arises, nevertheless, in connection with the world outside of India. This double florin, or 4s. piece, or 2-rupee 2-annas Indian coin, would have 350·625 fine grains silver, and thus, with fine gold contents of our sovereigns of 113·002 grains,

necessary aims and objects of currency, and the absurdity involved in our having no higher than a mass of shilling pieces, Mr. Hill is quite in the wrong. The difficulty supposed to exist between counter-silting of heavier and lighter pieces of money is not so great as to stop counterfeiters, who, if we had nothing but shillings, would easily manufacture them in greater quantity than they do now. Mr. Hill has had no experience in coins of the dollar type, especially when they are made of the more uniform and harder quality of 900 fine. Among such dollars counterfeiting in base metal is much less frequent than with subsidiary silver coin. I mention Mr. Hill's peculiar view on this point because, if one of our statesmen were to consult that gentleman as to the expediency of coining such dollars, he might possibly be influenced by the hallucinations entertained by Mr. Hill on this point. The vast mass of legal silver coin throughout the world, in dollars and similar pieces, is even less subject to counterfeit imitations than our own gold sovereigns.

give *the proportion of* 15½ *of silver to* 1 *of gold*, which is *the rate of the Latin Union* and other bimetallic States. I am here aware that the mere mention of this Latin bimetallic rate will raise the ire of the monometallists, as a red cloth will that of a bull. But those who are cooler will understand that the proposed 2-rupee 2-annas piece gives this proportion only *by a mere fortunate arithmetical accident*, without the slightest reference as to other bimetallic systems.

It will be obvious that England and India can determine for themselves what rate between gold and silver they may choose to appear right to them. That they must adopt some such rate, unless the case is to be left in the indefinite prospect involved in the demonetisation of silver, to be enforced by laws, will be admitted. Although the extreme gold school look upon fixed proportions between gold and silver as hateful, they nevertheless are bound to admit the principle in their system of legal tender-gold and subsidiary silver coinage. If for the latter, England has chosen to adopt 66d. per ounce, she also can exercise her option to adopt 60¾ pence for any portion of such coinage. And, as has been shown in the schemes of conversion of Indian silver here criticised, they adopt proportions for this purpose. The one in choosing 2s. per rupee, or 64½ pence per ounce, makes the proportion 1 to 14⅓, much too high for India ever acquiring gold; the other, at 59 pence per ounce, makes it as 1 to 16, as injurious to the Indian silver valuation. But the rate of 60¾ pence per ounce is not only the true average between England and India as I have before proven, but it accords exactly with the convenient arrangement to be made between the two countries of their own accord.

But, although the arrangement would thus be one exclusively Anglo-Indian, without either the recognition or co-operation of other nations, or an international congress, it should be borne in mind that there are other countries who are in a similar position with each other, and with England and India. That other foreign countries should between them influence India and England with undeniable power cannot be disputed.

It follows then, that as between England and India there should be *an intermediate market* where the gold and silver can be exchanged. These markets are none other than the bimetallic States, who deal in gold and silver, namely, principally the Latin Union (France, Belgium, Switzerland, Italy, Spain, &c.), and now the United States. And both bimetallists and monometallists admit that the Latin Union has hitherto been the means through which the exchange between the English gold and Indian silver systems has been effected.

What then is England's obvious duty for the sake of her own and India's interests? *Clearly that of supporting the bimetallic system in other States.* If, as has been before clearly demonstrated, the arrangements proposed between England and India result in the proportion of 1 to 15½ on the two independent grounds mentioned, it is surely the *third advantage*, that the bimetallic States which have adhered to this rate, should be upheld in this. The settlement of the Anglo-Indian question stands first with us as a matter of national importance. If the monometallic gold party of the Hendriks' type are indiscreet enough to wish to destroy this bimetallic system of other States, the mainstay for the possible exchange of gold against silver for India, they would certainly commit a gross outrage upon our own and Indian interests. The advocates of that party here in England confine their attention chiefly to the Anglo-Indian problem, and almost entirely overlook the interest of foreign nations, excepting for the purpose of establishing doctrines, the validity of which has been here so strongly disputed. Now, if in such a question of what is right or wrong, opinions are so divided, if statesmen and financiers of the bimetallic school insist upon retaining and affirming their systems, we might, in any case, leave them to do as they like. We are not only bound to respect their opinions, but having regard to the large number of nations existing under, and willing to adopt, bimetallism, we must at least recognise the facts.

This brings the matter to the International Monetary Congress in Paris, to which the United States have summoned other nations, and which ought to be also our opportunity. Now, as regards this Congress, England might either attend it purposely, without herself adopting the bimetallic system, guarding her own gold valuation intact, or attend it by courtesy, or by signifying her intention to assimilate the Anglo-Indian system as here suggested.

One thing, however, must be patent to all who are able to appreciate the situation, viz., THAT THE SUCCESS OF THE BIMETALLIC SYSTEM IS OF THE GREATEST IMPORTANCE TO INDIA AND ENGLAND, greater, perhaps, than it is to the bimetallic States themselves.

THE CONDITIONS NECESSARY FOR THE SUCCESS OF THE INTERNATIONAL MONETARY CONGRESS.

Although England is thus to retain her gold system intact, yet the success of the bimetallic agreement between other nations, upon the condition before stated, is of the highest importance to England and India, not only on account of the assimilation of the coinages of the two countries, and because India is the largest holder of silver, but for other reasons connected with international trade, and with "reversionary" interests which England possesses. A powerful bimetallic State like France, for instance, might suffer the loss to be incurred on its silver without such great sacrifices as would befall others. Three-fourths of her currency consists of gold, and on the £80 or £90 millions of silver, a loss of 50 per cent. might easily be borne by so rich a country; her international trade is about the half of ours, and the balances of trade are steadily in her favour. States like Belgium, Holland, Switzerland, &c., although not so favourably placed as France, could also bear the brunt of the evil. Even the United States, to whom the remonetisation of silver is certainly of very great importance, have succeeded in reconquering the balance of trade; and if the Monetary Congress failed, the damage done to the trade of the world at large would chiefly fall upon England. The silver-dealing States, and those under a paper valuation, would of course be placed in a more precarious position, and all the leading countries, become affected by this cause, which, as those who have understood the case as it is here laid before them, is a cause concerning the welfare of the world.

The position in which France stands to the question is this: the extreme gold school in France desires to drive that country into the system. France, having hitherto served as the intermediate market between gold and silver, having exchanged a great deal of the latter for the former, the French gold party have invented the expression that she has been subject to an "alternate" standard. Apart from the question that money is not standard, and that the above expression is a mere meaningless clap-trap phrase, France has suffered no inconvenience by the system; she has, on the contrary, profited thereby, and the wealth and strength of the country in her monetary affairs is beyond that of any other nation. The chief authorities in France uphold the bimetallic system, and so do the other States composing the Latin Union. The States of the Latin Union have nevertheless been compelled to close their mints to the free coining of 5-franc silver pieces; and the question of their again coining these pieces as freely as before, depends upon the success of the bimetallic agreement in restoring the previous equilibrium.

Further, this Congress has evidently been summoned by the American Government for the following purpose:—The United States have adopted the silver dollar of 412½ grains—giving a proportion of 1 gold to near 16 silver—because they placed their entire right to use silver again as legal tender upon their old mint law, as still in force or under the right of the Legislature. This is evidently an element of great confusion, for the Latin Union and general bimetallic proportion is 1 to 15½. There is no doubt that the authorities in America know this, and that they seek the solution of this difficulty in the International Congress. They cannot expect that the other bimetallic States will re-coin their many millions of silver coin from 1 to 15½ into 1 to 16. As the Americans do not now issue this dollar, but keep it for the present at the Treasury, they have the legitimate hope that such a Congress may give them the permission, so to speak, to fall in with the Latin Union and coin a dollar of 400 grains. I say, then, that this method of obtaining the moral support of an international agreement deserves our highest respect.

The subject of valuation in America has been treated with much more pains, on much higher theoretical ground than ever before, and in spite of all the abuse hurled by monometallists at the Bland Bill, and the American section of the extreme gold party, the bimetallic system has conquered. To charge a nation with evil intentions in so important a matter as has been done here, is surely wrong. It may be admitted that the interest involved in the American silver mines gave more practical incentive to this search after principle, but must we, as practical men, set no value on the interests of others? Should we not at least be able to deal with them as existing facts, apart from the question of theory, in which we or they may be right or wrong? What would we do, if our interest lay in this direction; if we had silver mines to supply India and the world, would we not like that other nations should treat us in a friendly way? If on English colonial territory large deposits of silver were discovered, as is more

than likely, we would, no doubt, desire to see such silver utilised as money.*

Now, if the arrangements at this monetary congress restores the equilibrium for all contingencies of the future, there is no question that both the Latin union and United States can again freely accept silver. States under a paper valuation will also have much greater facility for recovering specie payment, and the improvement in the trade and prosperity of the world will be most marked.

The advocates of the bimetallic system, that is to say, those who desire that system to be adopted immediately all over the world, England included, may now ask the question, whether the action which I have proposed, as regards England remaining nevertheless on the gold valuation, would be sufficient to restore this equilibrium? It is not necessary that between this strict bi-metallic party and myself this should be construed into a dispute as to bimetallic principles, but on the score of what I have submitted before, I think it would be sufficient if England retained her gold valuation and only acted as suggested. It is by no means unlikely, if England consent to do so, that the German Government may also assume a similar position as regards the legal tender coinage of *thaler* pieces, of which they have a considerable amount. The public in Germany is still accustomed to take these fine and most suitable coins, and the German subsidiary silver coinage would, therefore, acquire the same characteristic which our English regular silver coinage would attain. The German Government would save further losses to be incurred on the sales of silver, and the Scandinavian Union might come to a similar understanding.

I think that, under such an agreement, the equilibrium would be as fully restored as under the complete bimetallic system; and with it the price of silver, to its old proportion of 1 to 15½. I think it unnecessary here to refer again to the opinion of those who attribute the present fall in the price of silver to the American supply, and promulgate the suggestion, that the force of legal enactment by States cannot restore the price of silver. Legal enactments enforcing the demonetisation of silver have caused this fall; the same force to remonetise it would restore the former price, and under an understanding, such as suggested, equivalent to a universal adoption of these proportions, the relative value of gold and silver would become firm.

The distribution of gold and silver over the world will then settle itself naturally. India will always retain more silver, if only through the fact that legal tender coins of 4s. in value are the more suitable type for the scale of prices; but it may obtain a stratum of gold for such international purposes and interior use, as may be required when silver itself becomes again internationally available. The monetary peace in the valuation question may bring about certain modifications, but the principle of suitability will assert itself without prejudice to any nation. The question whether England might hereafter then fall in with the full bimetallic system, remains in reserve, but let it be repeated here that the proposal made now does not at all involve this; the position of England may remain as it is. It is likely, moreover, that the removal of the cause of fluctuations hitherto due to the want of agreement between the nations, will suggest sound practical matters. And it is possible that England herself may use more of these 4s. pieces in future, *i.e.*, an addition to our present £16 millions of subsidiary silver coin, of say £4 or £5 millions. This would be a great boon to the internal circulation, and, as a surplus would be exportable, and as the gold valuation would remain in full force, England herself would thus be able to furnish a direct though moderate share in support of the use and value of silver.

It must now, however, *be clearly understood, that unless England, on behalf of India* and herself, is *willing to carry out such an arrangement*, the success of the bimetallic congress, or its effort to *restore the equilibrium, becomes impossible*. If England wantonly holds aloof in this matter, or prefers the policy of *laisser aller*, it is obvious that she would thereby intimate her intention to introduce the full gold valuation into India; and this might be regarded as being her duty, on the score of selfishness. If, therefore, the bimetallic States coined silver freely as before, upon the fixed proportions adopted, the £180 million sterling of silver in India might be imported into the bimetallic States, and these would have to part with so much gold. The Continental or American statesmen would be blameable, if under such threatening contingencies they adopted the full bimetallism. Although a crippled form of that system might be attempted, it could not restore the price of silver, and the re-establishment of the equilibrium would be rendered futile. Of the confusion which would arise through this I need hardly speak. That India's valuation would especially suffer from this is only one of the features. For when it is borne in mind, that the silver demonetised by Germany, which has produced so large a fall in the value of the rupee, is moderate compared with the £90 millions sterling now subject to demonetisation by France, besides the many other millions by the rest of the Latin Union States, and the supply of mines, the prospective effects seem incalculable.

The bimetallic States, under these circumstances, would only have one remedy by which to secure the effective working of their systems among themselves. That remedy would be the desperate one:—their inaugurating between themselves an express system of commercial treaties, which would practically exclude the monometallic nations from participation. Whether such a proceeding

* This case may arise, and to show the extraordinary state of mind of some of our statesmen on this matter, permit me to quote here what took place between Mons. Cernuschi (the well-known writer on bimetallism) and that boi-terous Anglo-Australian financier, the Right Hon. Robert Lowe, M.P. Mr. Lowe met Mons. Cernuschi's arguments in an off-hand way, and stated, among other matters, "that the silver interest was opposed to the Australian interest, founded on gold, and that we should break faith with Australia if we did anything towards favouring silver." According to this doctrine we ought, on account of the Australian wool, also try to abolish other fibres; and this is apart from the fact that the Australian goldfields yield less and less every year. But what is more, before long, Australia herself will develop silver mines. In all gold countries, after the early discoveries in the Middle Ages in South America of gold, as well as recently in California, extensive silver mines were subsequently discovered. These lie farther back inland, by hundreds of miles, and years elapse before they are found. There is, therefore, little doubt—there is a certainty—that before long Australia will furnish silver; and in other British possessions mines may be discovered.

be contrary to the benefits and sacredness of free trade is another matter, as indeed would be the precise method of effecting the separation in the trade of the world. But for the purpose mentioned, it is the only remedy, and for this purpose it is by no means beyond the scope of feasibility. The exclusive commerce between France, the States of the Latin Union, and other European States not committed to the gold system, the United States of North America, Central America, and the States of South America, to which other States might give their adhesion, would form a coalition against England, Germany, and India chiefly, and this would be powerful enough to deal with China and other semi-barbarous States. Now, let it not be supposed that such a prospect is one wantonly suggested by an enemy to free trade. It is made on the contrary, because there are many people, warm lyin favour of free trade, who, in the danger of the present situation in the systems of valuation, perceive a course so desperate, that they see free trade endangered in an equally desperate manner. No candid mind that has succeeded in grasping the main features of this conflict in monetary matters, can deny that a writer on the subject has the right, and that it is his duty to bring reflections of this kind into the inquiry and that this forms a legitimate part of the controversy.

For all those reasons, then, it becomes more than ever important that England should support the agreement which the congress, summoned by the United States of America, endeavours to establish; and I am of the opinion the bimetallists at that Congress must adopt some such views on the matter as has been here suggested in reference to England and India, and attain their adoption, before they can succeed in their aim.

FREE TRADE AND THE DEMONETISATION OF SILVER.

An appeal may be here made to free traders on behalf of this matter. The spirit of free trade rests in the widest possible conception as to commercial and monetary liberty. It is not confined to the mere case of "protection" by duties on merchandise. Anything in the shape of a law which limits the use of any material, whether purposely or unintentionally, must be repudiated by free traders, whatever the plea may be on behalf of which such restrictions are initiated; whatever the objects or interests of nations, parties, or individuals may be. Let free traders now reflect upon the law which demonetises silver and condemns it to subsidiary coinage only. That a subsidiary coinage, in copper and lower denomination of silver coins is practicable and legitimate, is admitted, and there are clear technical reasons which make the maintenance of subsidiary sections admissable. The first and foremost of these reasons is the foundation of silver in its full legal tender capacity, which, when destroyed, deprives the subsidiary coinage of its chief support as token: but let this, as a kind of ulterior consideration, be set aside for the present, and consider only what is the nature and effect of the law thus suppressing silver altogether as legal tender. The law of limited legal tender to £2, as regards such subsidiary silver coin, is an arbitrary one, contrary to the principles of free trade. Whilst gold is coined free, for everyone who desires to have it, silver is coined only at the option of the Government. The high artificial and arbitrary value given to it, by which the Government secures a large profit, means the debasement of the coin, and its export is rendered impossible. It follows that both for its ingress and egress as regards England, silver coin is unnaturally chained down, and the exceedingly narrow limit to which it is thus forced is a monstrous violation of that rule of free play, the mainstay of all free trade. The extreme gold school must necessarily insist upon saying that, unless silver is thus restricted and debased, the gold valuation cannot be made operative. Upon the same ground of supposed expediency, other nations plead for their "protective" measures, to which we object on principle, whilst it is evident that our own proceeding in regard to silver is far more positive and severe in its nature.

The plea that here in England the demand does not insist upon a larger supply of silver coin, and

that therefore the system is admissable, cannot be made; because, under these *conditions of supply*, purposely made on the *narrowest possible basis* conceivable, *the demand cannot develope itself*. Whatever, then, the object of such legislation may be on the plea for this expediency, it involves the most flagrant violation of free trade, both as regards internal and international intercourse.

Putting this in a more familiar form, we here in England coin gold without restriction for everyone who brings it to the mint, without debasing that coin, because we proceed therein on the most sacred principle that an abundant supply of gold coin stimulates the demand, and developes trade. With silver we follow a precisely opposite course. We repress it as before shown. Now all those who understand the true office and purposes of coins and their subdivisions, in their character as means of transferring contract from man to man, will admit that the supply of such means of transfer ought to be able to attain the proportions suitable to all the ranges of transactions. In other words, if the free supply of sovereigns is of such paramount importance to the classes which principally use them, say the more prosperous, it is equally true that the free supply of shillings is as important to those whose transactions are principally carried on in silver coinage. A reflection of this kind is not a subject of sentimentality or democracy, it is a plain matter of justice and arithmetic. Indeed, as the more prosperous classes using gold chiefly, have also at their disposal the cheque and banking system, and those without these social advantages, form the vast majority of a nation, both justice and arithmetic ought to indicate the necessity of furnishing this majority with a free supply. Unfortunately, here in England, we look upon the industrial classes as being subject principally to "wages," to be earned by them in large central manufacturing concerns, or in other dependent positions, and overlook the undoubted fact, that for their well-being, they are far more dependent upon the intercourse between themselves. That this intercourse between the great masses of the people has a good right of its own, that it ought to be placed under the same condition of development as the more centralised industrial and commercial undertakings, by means of a free supply of good money as suitable circulating medium, may be pleaded. If the leaders of democracy were able to understand this matter, they might discover a cause of evil and remedy for many of the unhappy conflicts under which society, in relation to the working classes and their vast numbers of individual existences are labouring. It might, at all events, be expected that men of superior intelligence and higher tendency in regard to great social problems should not entirely disregard what, *prima facie*, seems here involved. Mere dogmatism founded on the narrow-minded doctrines of the gold valuation, the rough plea of expediency on behalf of such a system, and all the sophistry indulged in as regards the value of our silver coinage, should not prevent inquiry into this most important subject of "internal" system.*

It must not be supposed that by these remarks it is here intended to foster the idea as to unreasonable and radical changes, or to pamper to the ideas of so-called socialism of the day. But when, as is here indicated, such violations of principles of freedom or free trade are patent, it is at all events legitimate that reasonable man should aim at some modification by which such a state of things could be improved. Thus, proper inquiry into this special problem would, no doubt, show how far a system of subsidiary coinage is admissible for internal intercourse, and how, in the suggestions made in these pages as regards the position of England to be assumed, the difficulty can be fairly met. The "exportable" four-shilling piece would supply the missing link in this matter of our *internal* circulation.

The violations of the rules of free trade involved in the demonetisation of silver, and their effects upon the *international commerce* of the world, are more patent, and are subject to the proof of statistics. Whatever we may chose to have done in England in reference to the gold valuation, does not give us the right of insisting that other nations should do the same, that we only are in the right and they in the wrong. If we were in the same position as they are, namely, holding large amounts of silver instead of gold, and desired that the world at large should jointly submit to a change, we might at all events plead a case of joint principle. But to enforce this upon other nations under the present position of matters is surely a singular and monstrous suggestion, independently of the question of damage in which such demand would involve ourselves. From time to time immemorial, gold and silver have been used by the world. So far the balance of equilibrium has been kept, as a matter of fact: for although we adopted the gold valuation in 1816, the equilibrium fairly remained, for reasons before stated. Up to 1872 the position thus acquired "has been let alone," has not been interfered with by law, has been *practically* ruled by principles of free trade, so to speak. What is now asked is the application of laws suppressing silver in other countries, because we insist upon saying that the gold valuation is the only right system. Again, whatever may be the pleas of dogmatism, the case remains the same. Whether we say by way of excuse, Germany and other nations have joined us, or whether we labour under the impression that other nations will or will not do so, that some of them may remain either upon the bimetallic or silver basis, the falsity of this position assumed by us remains the same. Its tendency is that of demonetising silver by a severe restrictive law. We having compelled ourselves to refuse the use of silver as money, we now desire to push other nations into doing the same thing. Can any say that this accords with free trade?

Undeniable facts as those involved in the present situation as regards silver must not come under the sway of rude dogmatism in a special narrow direction, but must, on the contrary, come under the wise direction which the rules of free trade demand. The irreconcilable animus of the extreme gold valuation party assumes a quasi-mathematical doctrinism, of the falsity of which the present

* It will, no doubt, be recollected that Colonel Tomlin endeavoured to bring this subject before Parliament some years ago. The non-success with which he met was due to his peculiar method of stating the case, which failed to show the matter in its real practical effect. Nevertheless its practical, as well as its academical nature remains valid.

time affords many examples. Thus, amongst many of the most ardent freetraders, the axiom prevailed—"That a nation should take foreign goods if they could be imported cheaper than they would cost at home," and this was held to be the main stay of the free-trade principle, irrespective of all other considerations and causes whatever. Now, certain foreign nations, reversing the policy of levying duty on imported goods, actually pay a bounty to the exporters of their manufactured sugar. Although we in England thus get sugar "cheaper," yet it is obvious that it is not conformable with the interests of our trade. There is some analogy between these cases of original doctrinal assertion and their failure. In the same way, the ruthless advocacy of the gold valuation ignores the actual facts, and thereby violates the wise and true rules of free-trade.

Upon the very violation of the rules of free trade so involved, the writers of the bimetallic party claim a hearing. The late M. Wolowski, and the author, in 1867 and 1868, predicted in distinct term what would follow. They showed that, whereas the whole contract system in the world's commercial intercourse was, so far, founded on the stock of gold and silver together, the demonetisation of nearly one-half of that stock would lead to an entire breakdown of the then existing relations. They conceived that, whereas prices, State debts, and other fixed contracts of that kind, had so largely increased because of the joint basis of the stock of gold and silver then acquired, that the liquidation of these obligations was only feasible, if prices and the enormous production engendered by them were maintained. The ruthless and forcible demonetisation of silver would destroy that basis, lower prices, lessen production and consumption, deprive nations both of the value and quantities of commodities by which they might hope to approach an adjustment, and leave them stranded. They understood, and still adhere to, the truth that free trade can only be effective, and confer its enormous benefits upon the world, when the exchange of commodities between all nations can be carried out on a system of equality. There might be times when one nation, importing more than it exported for a series of years, might suffer in its wealth and financial condition; and although, at that time, a number of nations were in such a state of comparative distress, yet they all lived under the prospect of arriving, at no distant time, at some balance of national matters. It was on account of this hope that they had incurred liabilities to each other. It was the prospect of such nations being able to discharge their liabilities which made nations like ourselves superior in wealth for the time being. The effort of discharging these liabilities in due course was painful and precarious enough whilst the old basis of prices prevailed; but now, through the wanton tendency of demonetising silver, the difficulties of such tasks are made almost impossible. Is it to be wondered at that under these increased difficulties the statesmen of certain countries display a tendency to reintroduce protection?

The present condition of trade, so far, indicates only the effect of the demonetisation proceeding in Germany. It is serious enough to arouse the attention of all who pretend to know something of free trade, and monetary and political signs generally. Incompetent and common intellects in matters of this kind ascribe the present condition of the world's trade to all sorts of secondary causes, as in the paper submitted to the Society of Arts I have shown. The before-mentioned writers of the bimetallic party in 1867 and 1868 expressly predicted that when this time of depression set in, its causes would be sought in such vulgar incidents as commercial over-trading, over-production, strikes of the labouring classes, and other matters which might fit the capacity of the moment, and lead to some kind of explanation with which the popularly current economy would have to be satisfied. The real and original cause, however, the demonetisation of silver, would be overlooked, and that it would have little chance until the pressure of events, and an increasing distress, should forcibly direct attention to it.

To freetraders in England, this cause of the conflict in the monetary systems ought to be of special interest on account of the part which Richard Cobden took in the matter. In 1859 Cobden translated Michel Chevalier's well-known work, thrown as a firebrand into the controversy. It will be admitted by all who know this book, perhaps by the author himself, that although following certain principles, it was, on the whole, a production most unripe as to facts and conclusions. The fact alone that Chevalier aimed at the demonetisation of gold, whereas that of silver is now proposed, shows the uncertainty as to theory and facts. Cobden himself did not commit himself to any distinct view as regards the demonetisation of either metal, but the importance of the subject generally he foreshadows by saying in the preface:—

"It is nevertheless a subject on which the early possession of knowledge and the exercise of forethought will confer great advantages over ignorance and indifference, and afford the only safeguard against possible loss."

Shortly after the publication of this work, the writer of these pages had a long interview with Mr. Cobden, and gave him some account of the state of Californian gold mines which he had visited. He pointed out to Mr. Cobden that the suggestion as to the finding of enormous quantities of gold, which M. Chevalier seemed to think in prospect, were most extravagant, that the production of gold in California would not increase beyond the annual amount now arrived at. The surface mines were already almost exhausted, and that deeper quartz mining would settle down into a business under which the annual production would steadily become less and less, although it might continue for many years to come. That this has been verified in regard to the Australian mines also is well known. I therefore stated to him that M. Chevalier's anticipations were unreasonable, and that the demonetisation of gold mooted at was an absurdity. At the same time I mentioned, that as gold now amounted to about one-half of the total stock of money in the world, its wanton demonetisation would be a monstrous crime. I expressed the opinion that in the gold-producing countries silver mines would soon be discovered (as indeed some were then already discovered in California), and that this production would soon become large enough to compensate for the supposed proportionate greater per-centage of gold. Mr. Cobden agreed with me that this production of precious metals could only be an advantage to mankind. He was already prepared to perceive how much commerce had been benefited by the gold acquired, and stated that in the event of silver accompanying it, that benefit would become still greater. At that time, however, nothing special and practical was done in the way of initiating the demonetisation of either metal, and so matters continued until 1872.

I contend now that if Cobden had lived to the present time, and had seen how many of the prognostications and dogmas promulgated in 1859 have been falsified and contradicted, he would have taken a more distinct view of the case.

What are, in the main, the grounds upon which Chevalier and others initiated the still remaining prejudice; and why are they wrong?

First and foremost, the suggestion stands forth that the increase in prices brought about by the addition to the precious metals, would be prejudicial to the interests of the so-called "fixed" incomes, as lessening their value. In 1857, Mr. Newmarch already disputed that a rise in the commodities had taken place. The partial rise subsequent to this was not only not commensurate with what was anticipated, but in the majority of staple goods no rise took place. The fact is that the views advanced by economists opposed to Chevalier's suppositions became verified. They stated that the rise of prices would increase production, and that upon such increase of production prices would fall again. Such has been found to be the case; many prices are even lower than they were in 1848, and the fixed income has fully recovered its purchasing power.

Beyond this what is the result? Simply that both production and consumption and the welfare of the world have enormously increased, and in this increase material as well as moral advantages are included. Whilst the increase of precious metal in the world, through the addition of gold, may be stated at an addition of 40 per cent. on the whole, our own international trade for instance has increased by more than 400 per cent. That the latter result may be owing also to greater development in inventions can be conceded. On the other hand, the benefit conferred by the addition of money stimulated trade and the tendency towards improvements in an unusual measure. Cobden would not have failed to see the full truth involved in this result, and if he were now brought before this problem of the demonetisation of silver which threatens the speedy annihilation of an amount of money larger than that of the sum of gold required since 1848, he would recognise the utterly false ground upon which the monometallists started their first objections to bimetallism. A thoughtful man like himself would not have been indifferent to representations made here, and by the bimetallic party generally.

The next matter upon which the anticipations of that time were based, are the supposed fluctuations in the relative value of gold to silver. According to the simple-minded conceptions of rules of supply and demand, these fluctuations were supposed to be irrevocably inherent, when either the one or the other material for money were produced at a more or less enhanced rate over the other. It is true that whereas, say in Roman times, B.C., gold stood towards silver, as say, 1 to 15 or 16, it stood in the Middle Ages, before the discovery of silver by the Spaniards, say at 1 to 11 or 12. We have no evidence whatever that these fluctuations were due to irregular supply and demand, and the broken chain of history of such times justifies the supposition that these divergencies were due rather to the *vagaries of the mint authorities*, or arbitrary rulers. Indeed, none but arbitrary laws could have even have initiated such changes. A same arbitrary tendency, no doubt, influenced the Spanish authorities when they were desirous of exchanging large quantities of silver for gold, after the discovery of America. But the comparative steadiness of the proportions during the last 300 years, upon which the French, at the end of last century, adopted the proportion of 1 to 15½, is proof that a better international, or common understanding asserted its force. The most complete proof of the equality of such proportion, however, is afforded by M. Chevalier's false suppositions. He actually predicted a fall in the price of gold towards silver, *i.e.*, a great rise in the latter, and the quantities of gold involved were in his case far beyond all preceding divergencies in the precious metals. Nevertheless, the proportions between gold and silver were not at all affected, and subjected only to the ordinary contingencies of exchange. The policy of the demonetisation of silver actually and wantonly forces silver to decline in value.

The greater number of inquirers into financial matters now admit that the well-known axiom regarding the *supposed wrongs of a creditor*, in being liable to receive from his debtor either gold or silver in payment, at the debtor's choice, is without foundation in reality. In former times, from the earliest periods, the question never showed itself, until mooted by the first theorists of last century. In the vast majority of cases, payments are effected by other matters of value than money. When the latter is employed, under its legal tender character, that character remains intact for the purpose in hand. But, independently of its maintenance for a lifetime, or for centuries, it is the duty of society, viz., the distinct obligation of the Government, to guarantee the creditor against a change possibly in contemplation. It is idle here to speculate upon a variety of impossible contingencies lying beyond the scope of geological science, and to use these for the purpose of upsetting principles and practices founded on well-defined natural laws. It is equally immoral to set up the supposed wrongs to the interests of the creditor, in the one-sided way—when, in reality, they have neither a theoretical nor an actual existence—in order to sacrifice the now existing interest of all mankind.

That this theory of the possible wrong to be suffered by the creditor in future payment, is more than one-sided, can easily be perceived. It is evident that a creditor lending money to his debtor, and knowing beforehand that he may be paid in either gold or silver, can make his bargain in anticipation of this contingency. This is the complete theoretical set-off; but, in practice, the possible charge on the bargain amounts to *nil*. In

reality the theory of fluctuation, on account of the varying supply of metals, would be more injurious to the creditor under the monometallic, than the bimetallic system. The creditor here in question, is not the one in every day or short transactions, but is the holder of long contracts, and by way of a "fixed income." It is on behalf of such creditor that Chevalier chiefly grounded his argument, by saying that the value of his income or contract would be affected by the greater or lesser supply of precious metals. Taking now the figures already ascertained, of a total stock of gold and silver in 1848, as amounting to £1,000 millions altogether, to which, since then, say £350 millions of gold have been added, the proportionate effect upon such fixed income would have been measurable by a rate of 35 per cent. But if, under the monometallic gold system, there had only been the £400 millions of gold present in 1848 the addition of £350 millions since would have given a rate of 87½ per cent. It will, therefore, be seen that the bimetallic system involves in reality the very principle of compensation, and is advantageous to both creditor and debtor. Beyond this, the subject requires to be connected with the considerations regarding the consumption of the precious metals. It is an undoubted fact that the consumption of gold in the arts, jewellery, gilding, &c., is, in value, proportionately much in excess to that of silver, and that gold is found at much more spasmodic periods, and in more special localities than silver.

Finally, it may be expedient here to refer to the late error in the whole controversy. The saying prevails: "*Money (or gold or silver) is the standard of value; or, it is the measure of value.*" *Therefore, as we cannot have "two measures of value, we must only use one metal.*" This saying involves the great paradox upon which at all times the monometallists have founded their pretensions. It is thus that Chevalier, as a monometallist, first advocated silver and then gold. That the choice finally fell upon gold was only natural. It is evident also that under the paradoxical nature of this problem, there should have developed itself that peculiar fanaticism to which in these pages I may have so frequently alluded.

Nevertheless, nothing has been, nor can be more mischievous than the saying *that gold and silver are the standards or measures of value.* It is nothing more than a clap-trap phrase, invented by those who first endeavoured to start inquiry into the relation between money and other things. Just as little as the air we breathe, and the corn we grow though this latter has also been elevated into a measure of value by one of the earliest economists), and many other matters fancifully deemed suitable, are "standards," so it cannot be said that, because we use the term £1 to designate money as well as the value of other things, that therefore it is standard of value. The value of things depends upon a variety of considerations, commodities, material and spritual, in which money only plays a part of its own. As insufficient or bad air, or a bad harvest, and many other contingencies will affect the status of things generally, and modify the adjustment favourably or otherwise, so does the supply of money or precious metals have an effect either beneficial or otherwise. For all that, money is not a standard or measure of value. That our old economists should have been unable to understand the matter in this sense—that, unacquainted with the lessons which the development of the banking system in internal and international intercourse have given us, they should have adhered to this old phrase, is not to be wondered at. As a child makes its first practical experience with the power of a penny, so there are many people who, for the rest of their lives, will be unable to rid themselves of the notion of the seemingly paramount sway of money. For all that, money is but one of the constituent factors in the social and commercial system, whose office can be clearly delineated. Nothing can give us a clearer conception on this point than our own financial system in England.

The enormous business in this country is conducted by an annual turnover of—

£6,000,000,000	in London bankers' clearing.
£8,000,000,000	in country and general banking.
£5,000,000,000	in general accounts and settlement.
£1,200,000,000	in inland and international bills.
£20,000,000,000	*i.e., many* thousand millions.

in many millions of transactions, in which not a farthing of actual currency is required; and thus by far the greatest portion of the colossal inner and outer trade of the country is conducted.

Our currency consists of—

£105	millions	gold coin.
£16	,,	of silver coin.
£2	,,	of copper coin.
£27	,,	of Bank of England notes circulating (against, say, £21 millions of gold bullion in the Bank).
£15	,,	of country notes.
£165	millions	of currency.

Of this, on behalf of the *international trade*, we require a certain stratum of money, *i.e.*, bullion, of which the Bank of England is the reservoir. £20 to 30 millions of such bullion go in and out of the country, as payments to or from us, and it is the office of the Bank of England to retain as much of this inflow as may be required for its notes and the demand of international trade combined. Beyond this, the total level of our *internal* circulation is essentially a regular one, dependent upon the number of inhabitants, prices, and other ordinary contingencies. Just as little as it could brook a forcible reduction of one or two millions, so could it not at any moment absorb a surplus of the like amount. That under the above-mentioned conditions, increase of population, prices, and activity, it may increase to some extent, or *vice versâ*, does not invalidate the essential regularity of its character, nor has the so-called cheapness of money its cause in any surplus of actual currency, involving, as it does, another form of monetary contact merely.

The office of our *internal currency*, then, is simply that of serving for those strata of business which cannot be settled by the clearing, banking, account, and bill business. The sections of intercourse which cannot be settled by these means are clearly defined. The drawing of small cheques by those who keep banking accounts is more

troublesome than the paying away of a few sovereigns from the pocket, not to speak of sums under £1 payable in silver. The majority of the industrial classes, and plebianism generally, cannot keep banking accounts, and the means of conveying monetary contract to them, and from them to each other, are the currency only. Strict mechanical, therefore, as well as unalterable social reasons, make the use of currency absolutely imperative, and upon the elements before alluded to, its numerical quantity becomes the factor akin to a constituent in an arithmetical problem. As such, its influence on the problem itself involves a modification in the total result, in almost the same manner as than of an increase or decrease of any of the factors is a matter of calculation in which multiplication it concerned.

Should the conception implied by this representation of the true character of money, and its office, begin to prevail; should the plain ground here taken be not embarrassed by wild speculations as to bank notes and other matters of fancy entirely foreign to it; a great advance would be made. The unsuitability of the expression "standards of value" would become patent, and with it all the paradox which has hitherto fogged the whole question would disappear. Men of real scientific and logical attainments should direct their attention to such a subject as this.

In the London *Times* of the 24th July, 1878, for instance, there appears a leading article in which the monetary congress in Paris is spoken of disparagingly. The whole tenor of that article rests upon the well-known example of the "creditors" wrong, the assumption that metallic money is "standard," and the theory of "fluctuations." As regards these fluctuations, the article says, for instance: supposing "Silver mines become unexpectedly rich, so that 20 ozs. of silver can be bought in the market with 1 oz. of gold." Let the extravagance of such a speculation be now considered. The suggestion that such a thing could take place rests upon the mathematical idea, so to speak, involved in the whole matter, according to which any slight variations in the supply of gold and silver, ought to be productive of difference in the value of the coins. If gold and silver were produced at an equal rate they would, according to what is implied, be firm materials to serve together, and all objection to the bimetallic theory would thus disappear. Therefore, because they do not thus agree in their production at an equal ratio, one of them is to be entirely abandoned. Surely this involves both an unnatural and fanciful proceeding. It is all the more fanciful, because we have the very strongest evidence that the enormous production of gold by California and Australia, made no difference whatever in the relative value of silver and gold. The production of silver within recent years is not even sufficient to counterbalance this increase of gold, and the decline in the price of silver is not owing to its over-production, but simply to the laws forbidding its use.

Now, if this is true, under the supposition that gold and silver, singly or combined, are standards of measure, the theory or fancy as regards fluctuations loses its value entirely, when it is shown that gold and silver are not such standards, that they constitute but one of the factors in the social system, namely the currency. In this character of "currency," experience shows that there is plenty of power of absorption for either of the materials, whether they are produced in equal or in varying measures from time to time, and the theory involved in this rests upon the same natural laws which apply to many other national problems.

The fresh produce, or apparent surplus of either gold or silver, enters the existing regular circulation only, on performing a great initial service. The fresh supply stimulates the demand for commodities, and enforces its distribution through the employment of capital in public works and undertakings of all kinds; it is thus the cause of advance or benefit to all interests concerned, and *thereby only does it secure its place in the circulation.* Practical experience shows that both silver and gold discoveries have had this effect. A truly scientific investigation of the real motives involved will prove that this is the undoubted result. The "craving" or opening for such supply is in a continual state of tension, capable of absorbing all which may be produced within natural possibilities.

Any doubt yet remaining—*i.e.*, theoretical, not practical—can be met by the admission that human law has an undoubted power of its own. The rules of free trade, in their objection to legislation, refer to laws which deter commerce, and interfere with freedom of contract, but they do not apply to laws whose tendency is that of upholding and affirming order and regularity. That human laws referring to this matter of gold and silver constitute an overwhelming factor, determining the demand, nobody can dispute. The plain case as regards silver, and its present decline in value, owing to its partial demonetisation by law, shows that such laws have a "negativing" force. The veriest tyro in logic must, therefore, admit that they must also have a "positive" force, which can be exercised in either direction, as the supply of either material may vary from time to time. This force remains absolutely effective as long as the demand is not interfered with by laws. And the whole history of the question during the last 30 years furnishes the most practical and complete evidence of these truths. It is complete enough to satisfy all doubts, even without reference to the universal agreement proposed, by which all nations should consent to the proportion of 1 to 15½, a proportion which, when adopted, could not be disturbed, unless one of the nations deliberately broke faith by altering her mint laws.

It is upon such considerations as these that a strong doctrinism and violent party feeling should be subjected to a closer inquiry, by both free-traders and men of science.

CONCLUSION.

In the preceding pages the author has laid down as much of the material belonging to the subject as may be deemed of first importance. There are certain items of secondary consideration — such as those which concern the weight of silver, and other minor matters—which have been imported into the controversy, but these are so subordinate to the great principles, that the time for their discussion may well be deferred.

From the point of view here taken as regards these first principles, it may be perceived that the present time resembles that of a great crisis, in which a decision must be arrived at, either for good or evil. The Monetary Congress in Paris may either be instrumental in arriving at some understanding, or it may not; in the latter case, there is no help for any agreement; for, in this matter, more or less immediate action must be taken by the legislation of the nations interested. Nothing can be, so to speak, postponed to any future time, without entailing great risk to one or the other nation. Indeed, the position resembles that of the commencement of a conflict, in which, in the case of non-agreement as regards the upholding of silver for legal tender purposes, all the nations interested in silver must enter upon a race to get rid of silver. In this race, those who lag behind would seem to lay themselves open to great disadvantages, although the puzzle for all of them would be that of, how they would dispose of the silver from one to the other. As far as England, and now also, Germany, are concerned, which have the effective gold valuation, it might seem that in this threatening game they are so far safe because they have sufficient gold. The nations having passed a law in favour of gold nominally, but being yet without gold, would be in no better position than the bimetallic and silver valuing States. It is evident, however, that both England and Germany, in spite of having secured the gold valuation, thereby possess no other advantage than that of having this kind of circulating medium. They, in their turn, would have to part with a very considerable share of this currency; and the force of circumstances which would compel this, lies in the revolution of international trade, from which England and Germany may ultimately suffer more than the nations affected immediately by the demonetisation of silver.

The question arises:

Firstly, what will be *the consequences if a bimetallic agreement be not arrived at?* In the course of the previous pages it has been stated several times that the present depression of trade was distinctly predicted by M. Wolowski, in 1867-8, and myself. Both writers, without knowing each other, formed their conclusions, and numerous other writers have since recognised and confirmed them as valid.

They are, therefore, entitled to say that in the event of a non-agreement as to bimetallism, the commerce, wealth, and civilisation of the world will be then depressed in a measure of which few can estimate the end. Mankind will live, breathe, build, and on the whole do such things as have been done hitherto. Indeed, according to the notions that things must "somehow settle themselves," there is no doubt that a final settlement will be arrived at, just as after war or famine, when masses of people are destroyed, the residue will again fall into some form of social organisation. But, before this social agreement is again arrived at, let us consider what amount of suffering must be undergone by individuals as well as peoples, what changes may occur in the status of the world's trade and that of individual nations. Are we in England safe because we hold our present position in this matter? It has always been the opinion of the author and other writers on bimetallism, that the effects of the monometallic theory will be more distinctly traceable in England than elsewhere; and in the paper, "Our Wealth in Relation to Exports and Imports," with which this book commences, the writer has endeavoured to show the nature of the case. It is true that our general international wealth will enable us to bear such reductions for a considerable time, but this concerns chiefly what may be called the classes of our community who hold such wealth individually. The great bulk of our population has no share in this: at any stage of such supposed general wealth, it remains upon its level of earning from hand to mouth. The distress now prevailing may be subjected to the hope that there will soon be an improvement, but for the last five years this improvement has been in vain expected. Nor, has the late conclusion of peace so far realised anticipation, although it is possible that some kind of improvement may manifest itself. It is surely now time that all the manifold allegations brought forward in explanation of the present state of things should be deemed exhausted, and that some attention should be paid to the question of the demonetisation of silver, as having a great, if not a primary share in this state of things. It has here been shown that the necessities under which many foreign nations are thus to be placed, compel them

to have recourse to protection. It will be perceived, therefore, that England has a far greater interest in this matter than that of its mere supposed advantage of the gold currency. What it forebodes to the industrial classes in this country remains to be seen. What it forebodes to the general international manufacturing supremacy in this country may be obvious to us within the next few years.

It is evident, that even with ourselves the question of protection has again been mooted because of the signs of the times. Naturally, the extremely generous free-trade party refuses to recognise anything whatsoever which might invalidate the great principle. Among the economists thus disposed to rely upon free trade principles in their extreme application, there is one noted authority, who will regard such reflections as here submitted as unworthy of his notice.* There are other authorities, also free-traders at heart, who nevertheless recognise that there should be, at all events, some kind of reciprocity between us and other nations by way of moderate duties. A third section avers that free trade has failed, and demand a revision. It may, at all events, be borne in mind that these differences as to the benefit of free trade have developed themselves since the demonetisation of silver in Germany began to show its effects, in exact accordance with what the writers of the bimetallic party predicted.

Another point in connection with the possible non-success of a bimetallic agreement concerns the maintenance of our own silver coinage. Granted that the initial wrong appertaining to the enforced limited issue of silver coinage in this country be entirely disregarded, that the question of the "Wages Fund" be accepted in the illiberal interpretation adopted by certain of our imperial-minded economists, there still remains this consideration—can the silver coinage be maintained if silver continues to fall in value? So long as silver bars remained at the price of 60d. per oz., or thereabouts, our silver coin could be issued at the artificial value of 66d. per oz. But if silver, in consequence of its further demonetisation, falls to below 50d. per oz. or much less, as the case may be, the artificial value of our silver coin could not be maintained. Silver coin of precisely the same metallic contents could then be manufactured by other establishments than the mint, and the mint stamps can be copied in so effective a manner, that the mint authorities themselves would be unable to detect the difference. Penal legislation in regard to such a matter cannot guard against the palpable temptation which the decline in the value of silver would thus engender. If the prospects thereby indicated be added to the general consideration involved in the "Wages Fund" question, it offers a species of difficulty as regards our internal circulation of the most perplexing character. It's relation to the so-called "capital and labour question," *i.e.*, the indefinite struggle and inexplicability involved in this question, may then become intensely and inconveniently practical.

The most tangible and immediately pressing case of our interest in the success of a bimetallic agreement is the question of the Indian valuation. The losses to private individuals, and to trade and commerce at large, are already sufficiently severe to demand a remedy. They have already checked the profits and the general results of the international trade of the East, and threaten worse prospects. The non-agreement on bimetallism will intensify this evil, until the Indian silver valuation is completely debarred from international trade, and deprived of its principal element of value. In any case, it will be admitted that, however far this case of the depreciation of the Indian currency may go, if it does not go so far as here indicated, it concerns the most important interest with which we have to deal in regard to this chief colony. Its indirect relations to the general problem are, perhaps, more serious still than the direct signs and hints made manifest to us in our own trade with India. Should the bimetallic agreement at the Paris Congress fail, there is every reason to suppose that something like a panic will fall on the Indian valuation, the severity and consequences of which may exceed all possible anticipations. The latter is, at all events, one of the most intense practical questions of the moment.

Let it now be supposed:

Secondly.—How would these prospects be altered in the event of *the bimetallic agreement* contemplated in Paris *being successful?*

If the bimetallic nations succeed in upholding this system among themselves, not only they themselves will not be compelled to make sacrifices, but they will rescue the silver States (India, notably) from the dilemma. At the same time, the nations now labouring under a paper valuation will be relieved from the enhanced difficulty of recovering specie payments. Instead of being compelled to secure to themselves a balance of trade in their favour at all hazards, even by general decline of trade, they would then be enabled to take a much longer time for the gradual adjustment of their affairs. Instead of aiming at the encouragement of industrial pursuits by way of protecting tariffs, they might leave such industries to nations better fitted for them, developing, rather, the production of such commodities for which they are qualified. Although it may be said that all nations are entitled to acquire the highest possible standard in regard to all industries, yet that is neither the aim nor the nature of trade and intercourse. The great object of free trade is that of the utmost encouragement, and the highest possible development of production natural to each country, and characteristic of its population. And, but for the increased difficulty under which certain nations are placed in this question of valuation, the development of naturally characteristic production could go on unchecked. Through this larger turnover for the mutual benefit of all nations, those which are at present behindhand in their affairs would be enabled to liquidate their liabilities with much greater ease. Indeed, were silver freely admitted, and the new supplies from mines made available, a period of prosperity would ensue, exceeding probably that experienced between 1848 and 1872. Its bearing upon these nations, upon the commerce of the world at large, and upon this country especially, as the chief of the trading nations, may be estimated by the per contra in prospect, and by

* The economist in question is in the habit of applying the saying, a "mare's nest," to any suggestions which does not emanate from himself, or does not accord with his own imperial tendencies.

the beginning of the decline, and its effects manifested at the present time.

The success of the agreement between the bimetallic States, and the consequent stop of the further decline in the value of silver, its restoration to the previous level, will also relieve us from the contingency involved in any possible necessity connected with the value of our silver coinage as before mentioned. It will also enable us to introduce, if we deem fit, such additional feature regarding our silver coinage as will dispose of the vexed question of the "Wages Fund" in a satisfactory manner, by means of the 4s. piece.

Lastly, as regards India, it must be evident to all, that the success of an agreement between the bimetallic nations offers the only tangible hope, and the only practical means of overcoming this gigantic and immediately pressing difficulty and danger. The agreement will, on the other hand, enable us to reform the Indian valuation upon a suitable basis.

Now, finally, what is that here proposed as regards the action which England should take in this matter? Leaving aside the great considerations of England's interest in the commerce of the world, and the specific point of subsidiary coinage generally, what does the danger to India involve? That its government would have to protect the people in this matter is its undoubted obligation, and *shall the danger be met by loans?* Or shall the Indian people be made subject to the sway of proposals such as made by Colonel Smith and Mr. Hendriks, whose "crazes" in reference to subsidiary coinage are almost criminally defiant of truth in simple monetary science?

The proposal here made as regards the introduction of the 2 rupee 2 anna piece, or dollar, requires none of these governmental liabilities or ruinous experiments!

In accordance with the programme laid down in the previous chapter this proposal:

Firstly, does not involve the abandonment by England of her gold valuation in any shape whatsoever.

Secondly. It respects the original basis of India's silver system, but leads the way to the introduction of the sovereign into India.

Thirdly. It will bring about an adjustment between the two systems in accord with the special characteristics of each nation.

Fourthly. It will relieve the Government of any liability to raise loans for the purpose of converting the Indian valuation, and will not require any guarantee on its behalf, for it contains within itself the natural remedy.

Fifthly. It does not require any artificial perversion or attempts to twist the Indian valuation, and it will for the future avoid the losses made by Government and commerce in the Indian exchanges.

Sixthly. It does not require any forcible recoinages in the Indian or any other system of currency; the minting of the dollar pieces is but one addition to the existing Indian system.

Seventhly. Further, the proposal made happens to give the proportion of 1 to 15½ between gold and silver without any reference whatsoever to the bimetallic agreement or disagreement.

Eighthly. The adoption of the four-shilling piece here in England under the strict preservation of the gold valuation is made on behalf of India, principally if not solely, and at the same time can find its support in the bimetallic agreement of others.

A more simple and effective key for the solution of a gigantic problem has never before offered itself. It is due to the happy coincidence attached to the proposed coin. Indeed, this coin is the only one that is required for the settlement of this entire international question.* The coinage of all other nations may remain as it is, with the single exception of the new American dollar of 412½ grains, which ought to be altered to 400 grains. But as the American Government has for the present not issued that coin to the circulation, it can easily be converted into the full agreement with other bimetallic issues.

If, therefore, the British and Indian Governments should adopt such a proposal for the sake of England and India in the first place, for the purpose of agreement with the bimetallic system, in the second place, it must be distinctly understood that this agreement is of far higher importance to England and India. But, on the other hand, the bimetallic States cannot come to an effective arrangement unless England follows this course.

The Paris Monetary Congress should, on its part, come to the following resolutions:—

Firstly. *That the United States of America should adopt the dollar in the proportion of 1 to 15½, namely, of 399·9 grains of nine-tenth fine silver,*

Without this first necessity an understanding between the bimetallic nations themselves is impossible. It is said that among the American delegates the opinion prevails, that the proportion of 1 to 16 is at all events nearer to the present market price of silver. This opinion is a weak one, and shows that the American delegates have not yet fully understood the real causes which led to the decline in the price of silver. The proportion of 1 to 15½ is the only one that can be accepted.

The next resolution should be:

Secondly. *That the Anglo-Indian Government should give a pledge not to abandon, or in any way modify the silver valuation of India.* That it should introduce into India *the dollar piece of 34 annas* here proposed, and that a similar piece should be incorporated with the silver coinage *in England, under the usual restrictions of tender* under which the gold valuation remains valid.

Unless *this pledge be given, bimetallism between the States willing to adopt it can only result in a crippled attempt,* certain of almost immediate failure. The adoption of the dollar proposed will, on the other hand, save and confirm the Indian valuation, and secure for itself a large circulation of silver beyond India. Its limited use in England will pave the way for the introduction of the sovereign into India.

The case of reciprocity thus involved in the whole matter is thus made complete, and it is to be hoped that our statesmen will be able to recognise this.

A third resolution which the Congress might adopt should be:

* A proposal has been made to use the 5-francs silver piece as such dollar or 4-shilling piece. The 5 francs piece contains but 347½ grains fine, and it would therefore not accord with the proportion of 1 to 15½, as the 4-shilling piece of 350⅔ grains does.

Thirdly. To request the German Government to cease the demonetisation of their thaler pieces, and to use the stock remaining upon the same basis as it is proposed to use the four-shilling piece in England. The thaler piece is of the value of three marks, in proportion of 1 to 15½, and the German Government need not sacrifice their newly-acquired gold valuation, if the thaler thus remained under restricted tender.

Germany is the only one of the great powers which has refused to attend the monetary congress. Its gold fanatic school, being less original even than ours, appears to be less inclined to a fair reasonable compromise. The German Government, however, may be willing to listen to such representation, and there is a large party in the country beginning to realise some of the evil consequences of the gold valuation. There can be little doubt that, among the German *savants*, the injustice of condemning all silver coins to a subsidiary state will, sooner or later, be recognised. The question of the "Wages Fund," which has been slurred over here in England, on account of England's greater general prosperity, will be treated in Germany with more scientific acumen, and the effect on the system upon the industrial classes will be more manifest. Scientific democracy in Germany will, therefore, soon discover one of the tangible reasons for the prevailing distress, and compel the Government to adopt a more reasonable course in regard to this matter. The maintenance of the thaler would supply the element of elasticity required to remove the objection to the hard and fast lines which tie down the subsidiary coinage; but, although the adhesion of Germany to this plan would be most desirable, it is not absolutely necessary, so long as the balance of trade is not in favour of that country.

The adhesion of England and India is, however, imperative, and if it is now understood how, by these means, there is a possibility of a general agreement as to monetary affairs, by which silver can be restored to its office, a final warning may here be given. The non-success, or the success, of the Paris monetary conference will decide what may prove to be the most momentous question that ever has occurred in the history of mankind. Its *non-success* means confusion and ruin, followed by periods of social and commercial distress, of a per-centage the extent of which would be proportionate, *per contra*, to the per-centage of prosperity, increased commerce, and happiness consequent upon the *success* of such a monetary agreement.

It follows, then, that the banker and merchant should carefully watch this monetary conference, and that the philanthropist should do so from a much higher standpoint.

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